

**CANYON FUEL COMPANY, LLC
SKYLINE MINE
C/007/005**

**NORTH LEASE
INCIDENTAL BOUNDARY CHANGE
(IBC)**

January 2008

**Incidental Boundary Change
North Lease
2007**

INTRODUCTION

The following is in response to Task ID #2874, and is intended to serve as a guidance document addressing the deficiencies cited in said document. Due to a change in the longwall panel configuration and some additional room-and-pillar mining, Skyline Mine is applying to modify the current Mine and Reclamation Plan (M&RP) to include approximately 680 acres not currently in the permit area. The 680 acres lie immediately east of the existing permit area. Under the proposed Mine Plans sequence mining activities will cross the existing permit boundary in February 2008, and Skyline Mine is requesting the Incidental Boundary Change (IBC). The modification is categorized as an IBC because the area of expansion is less than 15% of the area currently permitted, does not engage in operations outside the cumulative impact area as defined in the Cumulative Hydrologic Impact Area (CHIA), and does not engage in operations in hydrologic basins other than those authorized in the currently approved permit. Expansion into the IBC includes only development mining, no surface disturbance or subsidence associated with longwall mining is anticipated. Deficiency responses are as follows:

R645-301-320; General vegetation resource information, describing the various vegetative communities, is available in Section 2.7.1 of the M&RP. Information more specific to the North Lease is available in Section 2.7.6, and the Mt. Nebo Data Adequacy report (exhibit 2.7.5) is available in Volume A-2, Volume 2 of the M&RP. Although these references do not specifically cite the area of the IBC, they adequately address the vegetative communities that exist. Also, Plate 2.7.1-1a was updated in October 2007, identifying the vegetative communities within the IBC. No additional information has been submitted with the current application. Keep in mind, no surface disturbance is associated with this amendment.

R645-301-322; Fish and Wildlife resource information, which adequately covers the area to be added with the current IBC application, is available in the M&RP. Section 2.8 addresses Aquatic Wildlife information for both Winter Quarters drainage; Fish and macroinvertebrates are addressed in Section 2.8.1, with recent studies of both fish and macroinvertebrate located in Appendix A-3, Volume 2; Terrestrial Wildlife is generally in Section 2.9, with specific studies located in Appendices A-2 and A-2, Volume 2. In addition, a Minor Coal Exploration permit application (Canyon Fuel Fee Coal Lease, Winter Quarters Canyon 2007, July 2007) that was submitted to the Division includes a 2005 Biological Evaluation and Biological Assessment (BEBA), a 2005 Wildlife Resource Report, and a 2007 Goshawk and Wildlife survey of areas in Winter Quarters. No additional information has been submitted with the current application. Keep in mind, no surface disturbance is associated with this amendment.

R645-301-322, 301-333, -301-358; All necessary fish and wildlife information is available in the currently approved M&RP. See the response above for details on the information. No additional information has been submitted with the current application. Keep in mind, no surface disturbance is associated with this amendment.

R645-301-411; Historic and archeological resource information to adequately address the IBC is available in the currently approved M&RP. Three (3) reports located in the Confidential File include: Archeological Evaluations in the Winter Quarters Locality of Carbon, Emery, and

Sanpete Counties, December 1991; Historical and Cultural Resources Inventories, Scofield Mine Carbon County, Utah, September 1982; and Cultural Resource Inventory of Four Drill location and Associated Staging areas and Trails – Winter Quarters, July 15, 2002. The most recent archeological study for the area and within the IBC is a Cultural Resource inventory of Drill Hole Location C-07, conducted in July 2007 – located in Appendix B of a Minor Coal Exploration permit application submitted in July 2007 (Canyon Fuel Fee Coal Lease, Winter Quarters Canyon 2007, July 2007).

R645-301-411; Land Use information is located in section 2.12 of the currently approved M&RP. Since the current IBC application is on private land not previously included in the permit area, private land uses were not discussed. The types of land uses currently described in the M&RP are consistent with the uses on the private land. A small section has been added to Section 2.12.1 – Existing Land Uses describing the historic and current uses. Since no surface disturbance is associated with the current application, no other information has been provided.

R645-301-624.320 and 624.330; Historic geochemical lab analysis for the Lower O'Connor A (LOA) seam is located in section 2.2.8. The October 2007 information submitted for this application (Task ID #2813) includes lab analysis with an attached drill hole location map to be added to Appendix A-3 Volume 2 – this information adequately addresses the requirements of R645-301-624.320 in characterizing the acid- or toxic forming or alkalinity-producing materials in the strata immediately above and below the coal seam to be mined. Included in the current supplemental information is lab analysis of the coal seam from drill holes located on the map provided in October 2007 – this information adequately addresses the requirements of R645-301-624.330 in characterizing the acid- or toxic-forming materials of the coal seam. Analysis of total sulfur and pyritic sulfur is included. Keep in mind that mined material sent to the Waste Rock site is analyzed every 2,000 tons, testing for acid- or toxic-forming materials. The Mine has committed to burying acid- or toxic forming materials under 4-feet of non-toxic cover.

Alluvial Valley Floor (AVF) Information; Although not identified as a deficiency in Task ID #2874, discussions with Ms. Priscilla Burton identified an area where additional discussion could be added to the AVF information. Per Ms. Burton's request, portions of the AVF information in Section 2.12 of the M&RP have been expanded. See pages 2-133 and 2-133a of the currently submitted information.

Section 24: NE-1/4 NW-1/4;
containing 557.22 acres

Federal Coal Lease Serial # UTU - 67939

T.12 S., R.6.E., SL Meridian, Utah

Section 26, S2SE, SESW
Section 34, Lots 1-4, S2NE, SENW, E2 SWNW, N2S2
Section 35, all

T.13S., R.6E., SL Meridian, Utah

Section 2, all
Section 3, all
Section 10, Lots 1-2, NE, E2NW;
Section 11, N2, N2S2
containing 3,291.0 Acres

Carbon County Coal Lease

Township 12 South. Range 6 East SLB&M

Section 36: S1/2S1/2
containing 160.0 Acres

Township 13 South. Range 6 East SLB&M

Section 1: W1/2
Section 12: NW1/4NW1/4, SW1/4SW1/4
Section 24: Portion of W-1/2 NE-1/4
containing 405 465 Acres more or less

Pacificorp Coal Lease

Township 14 South, Range 6 East, SLB&M

Section 2: Lots 1, 2, 3, and 4; S1/2N1/2;S1/2 (All)
Section 3: Lots 1 and 2; S1/2NE1/4; E1/2SE1/4; E1/2W1/2SE1/4;
NW1/4NW1/4SE1/4
containing 925.16 acres more or less

C&B CoalEnergy

Township 13 South. Range 6 East SLB&M

Section 1: W1/2SE1/4;
Section 12: NW1/4SW1/4, SW1/4NW1/4, NE1/4NW1/4
containing 40 200 acres more or less

Section 24: NE-1/4 NW-1/4;
containing 557.22 acres

Federal Coal Lease Serial # UTU - 67939

T.12 S., R.6.E., SL Meridian, Utah

Section 26, S2SE, SESW
Section 34, Lots 1-4, S2NE, SENW, E2 SWNW, N2S2
Section 35, all

T.13S., R.6E., SL Meridian, Utah

Section 2, all
Section 3, all
Section 10, Lots 1-2, NE, E2NW;
Section 11, N2, N2S2
containing 3,291.0 Acres

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NW1/4NW1/4SE1/4
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Section 12: NW1/4SW1/4, SW1/4NW1/4, NE1/4NW1/4
containing 200 acres more or less

Recreation

Recreational use of the lease area affected by surface operations consists primarily of hunting big game, game birds, and small game species; fishing in Eccles Canyon below the portal area; from the south fork to the mouth of the canyon sightseeing, snowmobiling, and cross country skiing. Limited camping and picnicking also occurred in the mouth of Eccles Canyon (U.S. geological Survey, 1979).

Eccles Canyon Road provides the only direct access from Scofield Reservoir to Huntington Canyon and is used as an access route from the Scofield Reservoir recreation area to the recreational use areas at higher elevations in the northern end of the Wasatch Plateau (U.S. Geological Survey, 1979).

Natural Gas Transmission

A natural gas pipeline traverses the permit area from southeast to northwest. Additionally, an abandoned gas well is located in the Eccles Canyon portion of the permit area. A small building associated with Gas Well No. 8 is located in Eccles Canyon. The location of these features are all shown on Map 2.12.1-1.

Forestry

Forest uses are limited primarily to cutting firewood and fenceposts. Occasional timber sales from National Forest lands are made to salvage insect-killed spruce timber. One such sale, totalling 2.5 million board feet, was made in the Kitchen Creek drainage basin on the west side of the coal lease area in 1977.

Private Land - Winter Quarters Canyon

Both current (2008) and historic Land uses of private land in Winter Quarters canyon are varied and include grazing, wildlife habitat, recreation - primarily hunting big game, game birds, and small game species, forestry or timber production, and mining related activities.

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Land uses of the areas consist of wildlife habitat, grazing, recreation, natural gas transmission and forestry.

Wildlife Habitat

A listing of wildlife that inhabit the North Tract Area can be found in Section 2.9.5 with additional details about the general mine area in Appendix Volume A-2.

Grazing

National Forest Sheep allotments are maintained in the area. Private lands are grazed by similar numbers of sheep.

Recreation

Recreational use of the area consists primarily of hunting (big game, game birds, and small game species), sightseeing, snowmobiling, and cross country skiing. Limited camping and picnicking also occurs.

9/04/02

Farming

As indicated in the soil section of the North Lease Tract Area, farming in the area is prohibited by the steep and rocky terrain of the area.

Alluvial Valley Fill Floor

Winter Quarters Canyon / Woods Canyon

Minor amounts of Alluvial Valley Fill Floor (AVF) are located in the mouths of Winter Quarters Canyon and Wood Canyon. The AVF determination was based on elevation of mapped alluvial sediments located in Mud Creek, existing surface irrigation ditches located in Woods Canyon, and field observations. In Winter Quarters Canyon the AVF is delineated by mapped alluvial sediments located at the same elevation in the Mud Creek drainage, and surface irrigation ditches that divert water off of Winter Quarters Creek. In Woods Canyon, the AVF is delineated by sediments located in the mouth of the canyon located at the same elevation of the alluvial sediments in the Mud Creek

drainage. Plate 2.3.4-2 illustrates the potentiometric surface of wells located within the permit area and completed below the coal seam in the basal portion of the Blackhawk formation and Star Point Formation. As discussed in detail in the Probably Hydrologic Consequence (HCI reports), the hydrologic regime of the permit area is separated from the AVF of Pleasant Valley by the Connelville, O'Conner, and Pleasant Valley faults. The Pleasant Valley fault is likely the primary source of seeps and springs located along Route 96 at approximately 7,760 ft elevation east of Woods, Winter Quarters, and Green Canyons. Other existing seeps and springs located between the permit area and the AVF are located within the Blackhawk formation will not be impacted. A total of 44 acres are located in Winter Quarters Canyon and approximately 3 acres are located in Woods Canyon. The crop grown in both canyons (pasture grass) is not harvested for sale. It is consumed in place by livestock.

Mud Creek

EarthFax (2002) evaluated the erosional stability of the Mud Creek channel from Eccles Creek to the town of Scofield. As part of this evaluation, the channel roughness was determined for selected channel cross-sections using the Manning's methodology. The Manning's 'n' values ranged from

0.029 below the Eccles Creek confluence (MC-1) to 0.042 just south of the Town of Scofield (MC-3). The roughness of the floodplain was estimated to be 0.06, typical of other vegetated flood plains.

The longitudinal profiles of Pleasant Valley and the Mud Creek channel from above its confluence with Eccles Creek to the inlet to Scofield Reservoir are discussed below under geometry and physical characteristics.

Mt. Nebo (2002) conducted a riparian vegetation study along Eccles and Mud Creeks and found that the vegetation generally consists of grasses, rushes, sedges, and willows. Vegetation was determined to be generally stable with no severe riparian degradation. Some areas were visually observed to have minor unstable segments evidenced by exposed roots, slight undercutting, and erosion.

EarthFax (2002) collected channel bank and bottom samples from three locations on Mud Creek. The samples were analyzed for physical parameters (sieve analysis, unit weight, direct shear, and Atterberg limits). The sample results are presented in Appendix B of the February 2002 report (located in Addendum to PHC, July 2002, Appendix D). These results show the bank soils to be silty sands to clayey silts. The report indicated that the channel banks and bed materials are structurally and erosionally stable.

The Soil Conservation Service classified the soils in the Pleasant Valley as belonging to the Silas and Silas-Bryan Series. Both are deep to very deep soils in alluvial valleys, derived from the sandstone

and shale of the Blackhawk Formation. Soil pH ranged from 6.6 to 8.4 and salinity values were less than 2 mmhos/cm (SCS, 1988).

Descriptions of typical pedons of the Brycan and Silas series, as published by the Soil Conservation Service (1988), are provided in Attachment 2. According to these descriptions, subsurface soils (below

Revised: ~~08-24-05~~12-18-07

2-133a

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Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

MEMORANDUM
Gregg Galecki

Date: January 15, 2008

To: File

From: Gregg Galecki

Subject: Lab Analysis of the coal seam of selected drill holes located in the North Lease portion of Mine #3.

Per a Division of Oil, Gas, and Mining personnel request, attached is laboratory analysis of the coal seam from selected drill holes located in the North Lease. Also attached is a location map identifying where the drill holes are located. The information is supplied as a demonstration of the low potential of generating acid or toxicity from coal seam.

The attached drill holes analysis represent a limited view of the mineable reserve. Waste Rock sent to the Waste Rock disposal site is sampled regularly - on a one (1) sample per 2,000-ton basis. Results from the analysis of the material deposited at the Waste Rock site is reported to the Division in the Annual Report.

This information is available both at the mine and Appendix A-3, Volume 2 of the Mine and Reclamation Plan.



Soil Analysis Report
Canyon Fuel Company, LLC.

Report ID: S0710199001
Date Reported: 11/19/2007
Work Order: S0710199

Project: Skyline Utah#6
Date Received: 10/8/2007

Lab ID	Sample ID	pH		Saturation	Electrical		Field		Wilt		Calcium	Magnesium		Sodium	Potassium		SAR
		s.u.		%	dS/m	Conductivity	Capacity	%	Point	%	meq/L	meq/L	meq/L	meq/L	meq/L	meq/L	
S0710199-001	06-2-1	7.6		70.6	0.31			7.0	5.3		1.88	0.54		0.62	0.05		0.56
S0710199-002	06-24-1	7.5		63.8													
S0710199-003	06-25-1	7.7		65.7	0.56			7.0			1.48	0.68		0.23	0.27		0.22
S0710199-004	06-2-3	7.5		63.4	0.34			6.5	6.2								

These results apply only to the samples tested.

Abbreviations for extractants: PE= Saturated Paste Extract, H2OSol= water soluble, AB-DTPA= Ammonium Bicarbonate-DTPA, AAO= Acid Ammonium Oxalate
Abbreviations used in acid base accounting: T.S.= Total Sulfur, AB= Acid Base, ABP= Acid Base Potential, PyrS= Pyritic Sulfur, Pyr+Org= Pyritic Sulfur + Organic Sulfur, Neutral. Pot = Neutralization Potential
Miscellaneous Abbreviations: SAR= Sodium Adsorption Ratio, CEC= Cation Exchange Capacity, ESP= Exchangeable Sodium Percentage

Reviewed by: Karen A. Secor
Karen Secor, Soil Lab Supervisor



Soil Analysis Report
Canyon Fuel Company, LLC.
HCR 35, Box 380
Helper, UT 84526

Report ID: S0710199001

Project: Skyline Utah#6

Date Reported: 11/19/2007

Date Received: 10/8/2007

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Lab ID	Sample ID	Sand		Silt		Clay		Texture		Coarse Fragment		Available Sodium		Exchangeable Sodium	
		%		%		%				%		meq/100g		meq/100g	
S0710199-001	06-2-1	98.0		2.0		<0.1		Sand		100		0.05		<0.01	
S0710199-002	06-24-1	98.0		2.0		<0.1		Sand		100		0.20		0.20	
S0710199-003	06-25-1	97.0		3.0		<0.1		Sand		100		0.02		<0.01	
S0710199-004	06-2-3	96.3		3.8		<0.1		Sand		100		0.10		0.10	

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Karen Secor, Soil Lab Supervisor



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Lab ID	Sample ID	Nitrogen			Selenium	
		Boron	TKN	Nitrate		
		ppm	%	ppm	ppm	ppm
S0710199-001	06-2-1	0.17	1.17	0.44		<0.02
S0710199-002	06-24-1	0.23		0.45		<0.02
S0710199-003	06-25-1	0.16	0.77	0.40		<0.02
S0710199-004	06-2-3	0.28	0.94	0.50		<0.02

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Reviewed by: Karen A Secor

Karen Secor, Soil Lab Supervisor



Soil Analysis Report

Canyon Fuel Company, LLC.

HCR 35, Box 380
Helper, UT 84526

Report ID: S0710199001

Project: Skyline Utah#6

Date Received: 10/8/2007

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Work Order: S0710199

Lab ID	Sample ID	Total		T.S.		Neut.		T.S.		Sulfate		Pyritic		Organic		PyriticS		Total	
		Sulfur	%	AB	t/1000t	Pot.	t/1000t	ABP	Sulfur	%	Sulfur	%	Sulfur	%	AB	t/1000t	ABP	Carbon	
S0710199-001	06-2-1	0.56		17.6		4.69		-12.9		<0.01		0.09		0.48		2.70		1.99	72.5
S0710199-002	06-24-1	0.51		16.0		3.26		-12.7		<0.01		0.09		0.43		2.68		0.58	57.9
S0710199-003	06-25-1	0.69		21.6		3.93		-17.7		0.09		0.11		0.48		3.56		0.37	72.4
S0710199-004	06-2-3	0.56		17.4		9.40		-8.02		<0.01		0.13		0.43		4.06		5.34	69.9

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Reviewed by: Karen A Secor

Karen Secor, Soil Lab Supervisor



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Lab ID	Sample ID	TOC	
			%
S0710199-001	06-2-1	72.5	
S0710199-002	06-24-1	57.9	
S0710199-003	06-25-1	72.4	
S0710199-004	06-2-3	69.8	

These results apply only to the samples tested.

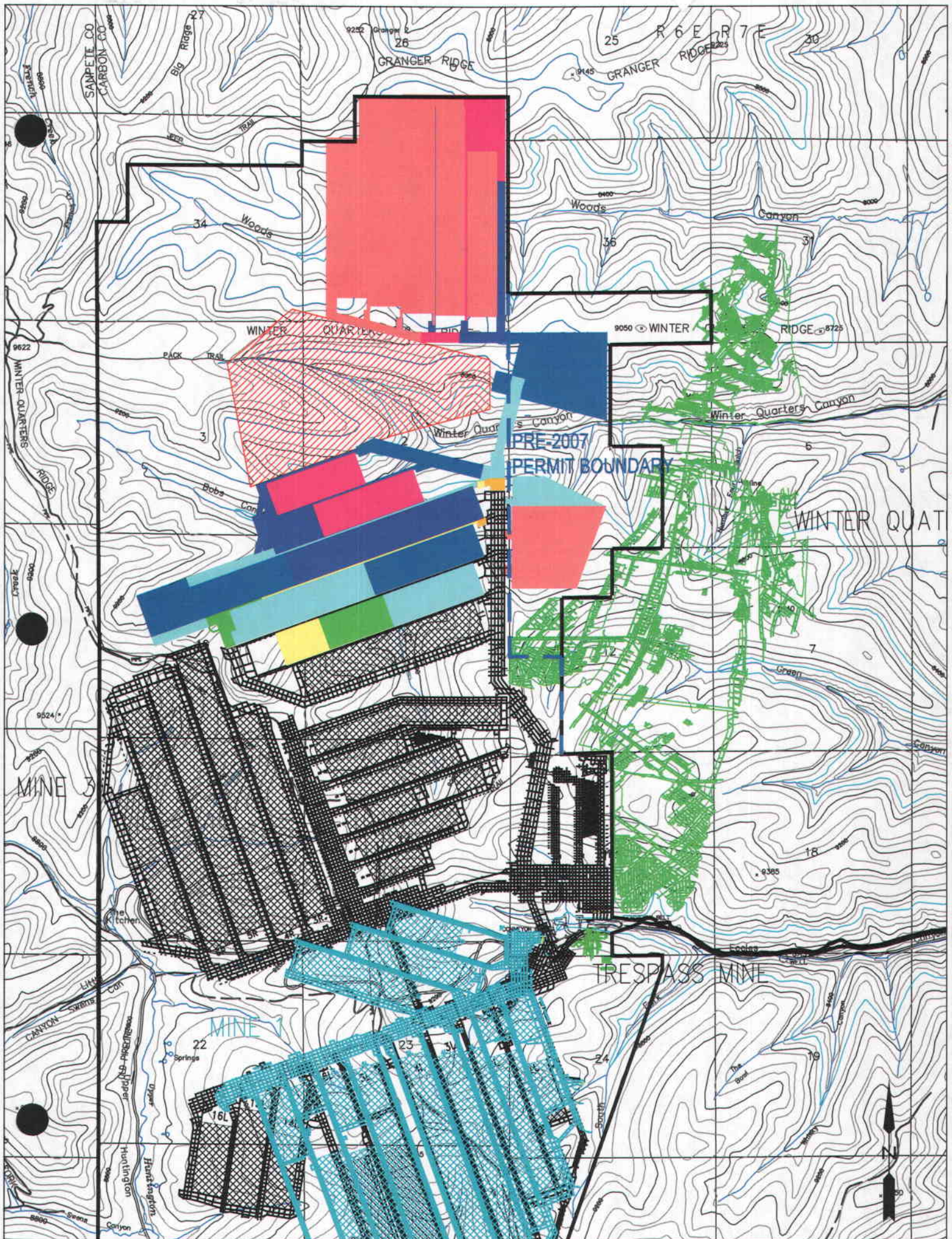
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Reviewed by: Karen A Secor

Karen Secor, Soil Lab Supervisor





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Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Gregg Galecki, Environmental Eng.
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Helper, UT 84526
(435) 448-2626 - Office
(435) 448-2632 - Fax

November 20, 2007

Ms. Pamela Grubaugh-Littig
Utah Coal Program
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84144-5801

RE: Incidental Boundary Change (IBC) to include S1/2S1/2 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M

Dear Pam:

Please note, this correspondence is a follow up to similar letters sent both June 15, 2007, and October 30, 2007. The legal description on the October 30, 2007 correspondence incorrectly identified the S1/2S1/2 of Section 36, Township 12 South, Range 6 East, as the S1/4 of the said section. The area is correctly identified as the S1/2S1/2 of Section 36, Township 12 South, Range 6 East.

Canyon Fuel Company, LLC (CFC), Skyline Mine intends to mine portions of the S1/2S1/2 of Section 36, Township 12 South Range 6 East, the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M in coal that the company has leased from Carbon County and C&B Energy. The current surface land owners are the Allred Family Trust administered by Phil Allred, and Koula Marakis Trust administered by George E. and Helen Liodakis and Liodakis Ranch, LLC. CFC has notified the two trust administrators this area of their property will be undermined as main entries and room-and-pillar areas are developed from the existing Skyline Mine works toward areas north of Winter Quarters Canyon. In good-faith, Skyline Mine has confidential agreements in place with both of these family trusts that addresses undermining their property. CFC Skyline Mine will first-mine only in the portions of the Carbon County and C&B Energy leases described and no subsidence will occur as a result of the mining.

Utah Administrative Code **R645-301-114.200** relating to the general contents of a coal permit application provides that where the private mineral estate to be mined has been severed from the private surface estate, an applicant will submit one of the following: 1) a copy of the written consent of the surface owner, or 2) a copy of the conveyance that expressly grants or reserves the right to extract coal by certain coal mining and reclamation operations, or 3) documentation that the applicant has the legal authority under Utah law to extract the coal by the proposed operations. CFC Skyline Mine submits that it meets the requirements set forth under **114.210, 114.220, and 114.230**.

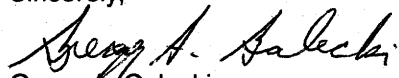
CFC Skyline Mine has been granted valid coal leases from Carbon County and C&B Energy, the owners of the coal estate, to conduct underground mining of coal in the S1/2S1/2 of Section 36, Township 12 South Range 6 East, the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M, respectively. See, Amended Section 5 of *Consent, Ratification, and Amendment of Lease and Agreement*. Utah law recognizes the general rule that the rights of the owner (or rights of a lessee) of mineral rights in land are dominant over the rights of the owner of the fee to the extent reasonably necessary to extract the minerals from the affected lands. *Flying Diamond vs. Rust*, 551 P.2d 509 (Utah 1976) (copy attached to

8/8/02 letter to DOGM, Appendix 118A of currently approved M&RP). The Utah Supreme Court has clearly adopted the principle that wherever there exists separate ownerships of interest in the same land, "each (party) should have the right to the use and enjoyment of his interest in the property to the highest degree possible not inconsistent with the rights of the other." *Flying Diamond* at 511. The dominant right of the mineral estate is qualified: the mineral owner or lessee must exercise his or her rights only as "reasonably necessary" and consistent with allowing the fee owner "the greatest possible use of his property." *Smith vs. Linmar Energy Corp.*, 790 P. 2d 1222, 1224 (Utah App. 1990) (copy attached to 8/8/02 letter to DOGM, Appendix 118A of currently approved M&RP).

Under the current permit application, CFC Skyline Mine proposes to conduct underground mining below the fee surface without material damage to the surface resulting from either direct surface access or subsidence. Consequently, CFC Skyline is exercising its rights to mine the Carbon County and C&B Energy leases with respect to the fee surface consistent with Utah law in a "reasonably necessary" manner while allowing the fee surface owner "the greatest possible use of his property".

If you have any questions regarding this matter, please call me at (435) 448-2636

Sincerely,



Gregg A. Galecki
Environmental Engineer, Skyline Mine
Canyon Fuel Company, LLC



Canyon Fuel
Company, LLC
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Gregg Galecki, Environmental Eng.
HCR 35, Box 380
Helper, UT 84526
(435) 448-2626 - Office
(435) 448-2632 - Fax

October 30, 2007

Ms. Pamela Grubaugh-Littig
Utah Coal Program
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84144-5801

RE: Incidental Boundary Change (IBC) to include S1/4 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M

Dear Pam:

Please note, this correspondence is a follow up to a similar letter sent June 15, 2007. The legal description on the June 15, 2007 correspondence incorrectly identified the W1/2SW1/4 of Section 1, and did not include the entire increase in the permit area – only the area where mining is planned. The area is correctly identified as the W1/2SE1/4 of Section 1, Township 13 South, Range 6 East, and the entire proposed permit boundary addition is described.

Canyon Fuel Company, LLC (CFC), Skyline Mine intends to mine portions of the S1/4 of Section 36, Township 12 South Range 6 East, the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M in coal that the company has leased from Carbon County and C&B Energy. The current surface land owners are the Allred Family Trust administered by Phil Allred, and Koula Marakis Trust administered by George E. and Helen Liodakis and Liodakis Ranch, LLC. CFC has notified the two trust administrators this area of their property will be undermined as main entries and room-and-pillar areas are developed from the existing Skyline Mine works toward areas north of Winter Quarters Canyon. In good-faith, Skyline Mine has confidential agreements in place with both of these family trusts that addresses undermining their property. CFC Skyline Mine will first-mine only in the portions of the Carbon County and C&B Energy leases described and no subsidence will occur as a result of the mining.

Utah Administrative Code **R645-301-114.200** relating to the general contents of a coal permit application provides that where the private mineral estate to be mined has been severed from the private surface estate, an applicant will submit one of the following: 1) a copy of the written consent of the surface owner, or 2) a copy of the conveyance that expressly grants or reserves the right to extract coal by certain coal mining and reclamation operations, or 3) documentation that the applicant has the legal authority under Utah law to extract the coal by the proposed operations. CFC Skyline Mine submits that it meets the requirements set forth under **114.210, 114.220, and 114.230.**

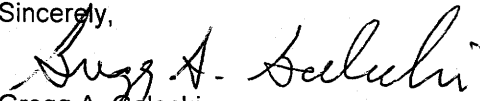
CFC Skyline Mine has been granted valid coal leases from Carbon County and C&B Energy, the owners of the coal estate, to conduct underground mining of coal in the S1/4 of Section 36, Township 12 South Range 6 East, the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M, respectively. See, Amended Section 5 of *Consent, Ratification, and Amendment of Lease and Agreement*. Utah law recognizes the general rule that the rights of the owner (or rights of a lessee) of mineral rights in land are dominant over the rights of the owner of the fee to the extent reasonably necessary to extract the minerals from the affected lands. *Flying Diamond vs. Rust*, 551 P.2d 509 (Utah 1976) (copy attached to 8/8/02 letter to

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If you have any questions regarding this matter, please call me at (435) 448-2636

Sincerely,



Gregg A. Balecki
Environmental Engineer, Skyline Mine
Canyon Fuel Company, LLC



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Gregg Galscki, Environmental Eng.
HCR 35, Box 380
Helper, UT 84526
(435) 448-2626 - Office
(435) 448-2632 - Fax

June 15, 2007

Ms. Pamela Grubaugh-Littig
Utah Coal Program
Utah Division of Oil, Gas & Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84144-5801

RE: Incidental Boundary Change (IBC) to include S1/2S1/2 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SW1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M

Dear Pam:

Canyon Fuel Company, LLC (CFC), Skyline Mine intends to develop main entries into the W1/2NW1/4 of Section 1, and conventionally-mine storage rooms in the SW1/4 of Section 1 and N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M in coal that the company has leased from Energy Fuels Corporation and C&B Coal. The current surface land owners are the Allred Family Trust administered by Phil Allred, and Koula Marakis Trust administered by George E. and Helen Liodakis and Liodakis Ranch, LLC. CFC has notified the two trust administrators this area of their property will be undermined as main entries and room-and-pillar areas are developed from the existing Skyline Mine works toward areas north of Winter Quarters Canyon. In good-faith, Skyline Mine has confidential agreements in place with both of these family trusts that addresses undermining their property. CFC Skyline Mine will first-mine only in the portions of the Energy Fuels and C&B Coal leases described and no subsidence will occur as a result of the mining.

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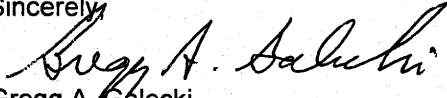
CFC Skyline Mine has been granted valid coal leases from Energy Fuels Corporation and C&B Coal, the owners of the coal estate, to conduct underground mining of coal in the W1/2 of Section 1 and the N1/2NW1/4 of Section 12, T13S, R6E, SLB&M, respectively. See, Amended Section 5 of *Consent, Ratification, and Amendment of Lease and Agreement*. Utah law recognizes the general rule that the rights of the owner (or rights of a lessee) of mineral rights in land are dominant over the rights of the owner of the fee to the extent reasonably necessary to extract the minerals from the affected lands. *Flying Diamond vs. Rust*, 551 P.2d 509 (Utah 1976) (copy attached to 8/8/02 letter to DOGM, Appendix 118A of currently approved M&RP). The Utah Supreme Court has clearly adopted the principle that wherever there exists separate ownerships of interest in the same land, "each (party) should have the right to the use and enjoyment of his interest in the property to the highest degree possible not inconsistent with the rights of the other." *Flying Diamond* at 511. The dominant right of the mineral estate is qualified: the mineral owner of lessee must exercise his or her rights only as "reasonably necessary" and consistent with allowing the fee owner "the greatest possible use of his property." *Smith vs. Linmar*

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Under the current permit application, CFC Skyline Mine proposes to conduct underground mining below the fee surface without material damage to the surface resulting from either direct surface access or subsidence. Consequently, CFC Skyline is exercising its rights to mine the Energy Fuels and C&B Coal leases with respect to the fee surface consistent with Utah law in a "reasonably necessary" manner while allowing the fee surface owner "the greatest possible use of his property".

If you have any questions regarding this matter, please call me at (435) 448-2636

Sincerely,



Gregg A. Galecki
Environmental Engineer, Skyline Mine
Canyon Fuel Company, LLC

114 Right-of-Entry Information

The Skyline Mines will be operated on the leasehold interests owned by Canyon Fuel Company, LLC. The lands on which mining is to occur are a part of the Manti-LaSal National Forest (see Drawings 1.6-1 and 1.6-3 of the unmodified permit). Post mining land use of National Forest lands are outlined in the approved Manti-La Sal Forest Land Use Management Plan. The waste rock disposal area is on private land as also shown on Drawing 1.6-1. The leasehold interests involve all or a part of the following coal leases, which have been subleased and/or assigned to Canyon Fuel Company, LLC (additional information provided on Table 114.1):

<u>Federal Lease</u>	<u>Issued to</u>	<u>Date of Issuance</u>
Utah - 020305	Emmett K. Olson	03/01/62
Utah - 044076	Armeda N. McKinnon	09/01/65
Utah - 0142235	Malcolm N. McKinnon	10/01/64
Utah - 0147570	Malcolm N. McKinnon	05/01/65
Utah - 073120	Independent Coal and Coke Company	02/01/64
Utah - 67939	Coastal States Energy Co.	09/01/96

<u>County Lease</u>	<u>Issued to</u>	<u>Date of Issuance</u>
Carbon County Coal Lease	Kanawha and Hocking Coal and Coke Company	5/1/74
Carbon County Coal Lease	Canyon Fuel Company, LLC	08/01/02
Carbon County Coal Lease	Canyon Fuel Company, LLC	05/15/02

<u>Private Lease</u>	<u>Issued to</u>	<u>Date of Issuance</u>
UP&L Tract	Canyon Fuel Company, LLC	2/1/99
C&B Coal	Canyon Fuel Company, LLC	7/30/02

The legal descriptions of the above listed coal leases are:

Federal Coal Lease Serial #Utah-020305

T. 13 S., R. 6 E., SL Meridian, Utah

Sec. 13:	SW-1/4 SW-1/4 (Lot 7);
Sec. 14:	SE-1/4 SE-1/4;
Sec. 23:	E-1/2 E-1/2;
Sec. 24:	W-1/2 NW-1/4, SE-1/4 NW-1/4, S-1/2;

Revised 11/02/07

Section 24: NE-1/4 NW-1/4;
containing 557.22 acres

Federal Coal Lease Serial # UTU - 67939

T.12 S., R.6.E., SL Meridian, Utah

Section 26, S2SE, SESW

Section 34, Lots 1-4, S2NE, SENW, E2 SWNW, N2S2

Section 35, all

T.13S., R.6E., SL Meridian, Utah

Section 2, all

Section 3, all

Section 10, Lots 1-2, NE, E2NW;

Section 11, N2, N2S2

containing 3,291.0 Acres

Carbon County Coal Lease

Township 13 South. Range 6 East SLB&M

Section 12: SW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 24: Portion of W-1/2 NE-1/4

containing 105 Acres more or less

Pacificorp Coal Lease

Township 14 South, Range 6 East, SLB&M

Section 2: Lots 1, 2, 3, and 4; S1/2N1/2;S1/2 (All)

Section 3: Lots 1 and 2; S1/2NE1/4; E1/2SE1/4; E1/2W1/2SE1/4;
NW1/4NW1/4SE1/4

containing 925.16 acres more or less

C&B Coal

Township 13 South. Range 6 East SLB&M

Section 1: W1/2SE1/4;

Section 12: NW1/4SW1/4, SW1/4NW1/4, NE1/4NW1/4

containing ~~40~~ 200 acres more or less

Revised 11/02/07

- (2) On August 3, 1978, Energy Fuels Corporation conveyed its exclusive and perpetual easement to Coastal States Energy Company (and now Canyon Fuel Company, LLC) for the purpose of constructing and maintaining a temporary coal storage and loading facility. The easement had been initially granted by Leon J. Nicolaides, et al., to Kanawha and Hocking Coal and Coke Company, Energy Fuels Corporation's predecessor in title.
- (3) A Lease Agreement dated June 10, 1982 between Fotini Telonis, et al, and the Permittee grants the Permittee the right to use a 27.83 acre parcel located near Scofield, Utah, as a waste rock disposal site. The lease was amended both in August 2006 and March 2007 to increase the parcel to approximately 37.48 acres. See Appendix A in Section 3.2 for lease.
- (4) A Quitclaim Deed dated May 24, 1991, from Kanawha and Hocking Coal and Coke Company to Coastal States Energy Company (and now Canyon Fuel Company, LLC) which deed conveyed to Coastal 42.57 acres of surface lands located in the SE1/4 of Section 17, T.13S., R.7E., SLB&M.

Power Line Addition

A parcel of land in Section 25 and 36, Township 13 South, Range 6 East, Salt Lake Base & Meridian, Carbon and Emery Counties.

Commencing at the Section Corners of 25, 25, 35, and 36, Township 13 South, Range 6 East, Salt Lake Base & Meridian, thence East along the North boundary of Section 36 for a distance of 500 feet, more or less, thence S20° 00' 00" W for a distance of 1,000 feet, more or less, herein called the point of beginning of the tract; thence N84° 20' 19" E a distance of 44.21 feet; thence N89° 08' 31" E a distance of 313.62 feet; thence S78° 31' 42" E a distance of 394.22 feet; thence S67° 59' 19" a distance of 162.86 feet; thence S67° 11' 48" E a distance of 184.95 feet; thence S66° 35' 22" E a distance of 7.51 feet; thence S68° 17' 21" E a distance of 16.44 feet; thence N14° 02' 53" E a distance of 13.25 feet; thence N 17° 36' 35" W a distance of 64.21 feet; thence N19° 35' 52" W a distance of 101.75 feet; thence N04° 54' 23" W a distance 110.10 feet; N15° 34' 28" E a distance of 118.18 feet; thence N43° 46' 10" E a distance of 1,079.17 feet; thence N51° 35' 31" E a distance of 860.51 feet; thence N21° 49' 54" W a distance of 0.62 feet; S51° 35' 33" W a distance of 860.56 feet; thence S43° 45' 55" W a distance of 1,079.56 feet; thence S15° 34' 30" W a distance of 118.17 feet; S04° 54' 20" E a distance of 110.32 feet; thence S19° 32' 19" E a distance of 102.69 feet; thence S17° 39' 42" E a distance of 63.38 feet; thence S15° 04' 51" W a

Vertical Extent
of Mine Workings
Workings (Life of Mine)

Surface to
1,500' max

Surface to
2,300' max

Surface to
1,500' max

The anticipated number of total surface land acres to be affected (life of mines) is less than the combined total of the affected acreages for each of the three mines due to the overlapping of mining operations which is inherent to this multi-seam mining operation. The total surface acreage to be disturbed by surface facilities associated with underground mining is 79.12 acres.

The following information was based on projection for the next five years (1997-2002).

	<u>Mine No. 1</u>	<u>Mine No. 2</u>	<u>Mine No. 3</u>
Extent of Horizontal Workings	240 acres	375 acres	1,870 acres
Extent of Vertical Workings	Surface to 1,250'	Surface to 2,250'	Surface to 2,125'

Area of Surface Disturbance

The construction/installation of surface facilities at the mine site, loading area, conveyor belt route, well houses, water tank pad, waste rock disposal site and South Fork Breakout results in the following disturbed acreages:

NEW DISTURBED AREAS PERMITTED AND TO BE RECLAIMED

<u>AREA</u>	<u>ACREAGE</u>
Loadout	13.86
Portal Yard	36.40
Water tanks and Well pads	0.26
Conveyor Bench	8.70
Waste Rock Disposal Site and Road	10.54 15.67
South Fork Breakout	0.96
James Canyon Buried Power Line	0.30
James Canyon Buried Pipeline	1.60
James Canyon Water Wells and Road	2.95

TOTAL ~~75.57~~ 80.70

Revised 11/02/07

Existing Disturbed Areas Permitted and Not to be Reclaimed

AREA

ACREAGE

Access Road to Waste Rock
Disposal Pit

3.55

TOTAL PERMITTED ACREAGE ~~79.12~~ 84.25

Revised ~~11/02~~ 6/07

1-38

Legal Description of Permit Area

Township 12 South, Range 6 East, SLBM

Section 26: Portion
Section 34: Portion
Section 35: All
Section 36: Portion

Township 12 South, Range 7 East, SLBM

Section 32: Portion

Township 13 South, Range 6 East, SLBM

Section 1: Portion
Section 2: All
Section 3: All
Section 10: All
Section 11: All
Section 12: Portion
Section 13: Portion
Section 14: All
Section 15: All
Section 22: All
Section 23: All
Section 24: Portion
Section 25: Portion
Section 26: All
Section 27: All
Section 34: All
Section 35: Portion
Section 36: Portion

Township 13 South, Range 7 East, SLBM

Section 4: Portion
Section 5: Portion
Section 17: Portion
Section 18: Portion
Section 19: Portion

Township 14 South, Range 6 East, SLBM

Section 2: Portion
Section 3: Portion

Total acres within the PERMIT AREA: 40,374 11,064

The acreage of 40,374 11,064 acres is an AutoCad® generated number from drawing number 1.6-3.

Revised 11/026/07

114 Right-of-Entry Information

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Section 2, all
Section 3, all
Section 10, Lots 1-2, NE, E2NW;
Section 11, N2, N2S2

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containing 105 Acres more or less

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NW1/4NW1/4SE1/4
containing 925.16 acres more or less

C&B Coal

Township 13 South. Range 6 East SLB&M

Section 1: W1/2SE1/4;
Section 12: NW1/4SW1/4, SW1/4NW1/4, NE1/4NW1/4
containing 200 acres more or less

- (2) On August 3, 1978, Energy Fuels Corporation conveyed its exclusive and perpetual easement to Coastal States Energy Company (and now Canyon Fuel Company, LLC) for the purpose of constructing and maintaining a temporary coal storage and loading facility. The easement had been initially granted by Leon J. Nicolaides, et al., to Kanawha and Hocking Coal and Coke Company, Energy Fuels Corporation's predecessor in title.
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Power Line Addition

A parcel of land in Section 25 and 36, Township 13 South, Range 6 East, Salt Lake Base & Meridian, Carbon and Emery Counties.

Commencing at the Section Corners of 25, 25, 35, and 36, Township 13 South, Range 6 East, Salt Lake Base & Meridian, thence East along the North boundary of Section 36 for a distance of 500 feet, more or less, thence S20° 00' 00" W for a distance of 1,000 feet, more or less, herein called the point of beginning of the tract; thence N84° 20' 19" E a distance of 44.21 feet; thence N89° 08' 31" E a distance of 313.62 feet; thence S78° 31' 42" E a distance of 394.22 feet; thence S67° 59' 19" a distance of 162.86 feet; thence S67° 11' 48" E a distance of 184.95 feet; thence S66° 35' 22" E a distance of 7.51 feet; thence S68° 17' 21" E a distance of 16.44 feet; thence N14° 02' 53" E a distance of 13.25 feet; thence N 17° 36' 35" W a distance of 64.21 feet; thence N19° 35' 52" W a distance of 101.75 feet; thence N04° 54' 23" W a distance 110.10 feet; N15° 34' 28" E a distance of 118.18 feet; thence N43° 46' 10" E a distance of 1,079.17 feet; thence N51° 35' 31" E a distance of 860.51 feet; thence N21° 49' 54" W a distance of 0.62 feet; S51° 35' 33" W a distance of 860.56 feet; thence S43° 45' 55" W a distance of 1,079.56 feet; thence S15° 34' 30" W a distance of 118.17 feet; S04° 54' 20" E a distance of 110.32 feet; thence S19° 32' 19" E a distance of 102.69 feet; thence S17° 39' 42" E a distance of 63.38 feet; thence S15° 04' 51" W a

Vertical Extent
of Mine Workings
Workings (Life of Mine)

Surface to
1,500' max

Surface to
2,300' max

Surface to
1,500' max

The anticipated number of total surface land acres to be affected (life of mines) is less than the combined total of the affected acreages for each of the three mines due to the overlapping of mining operations which is inherent to this multi-seam mining operation. The total surface acreage to be disturbed by surface facilities associated with underground mining is 79.12 acres.

The following information was based on projection for the next five years (1997-2002).

	<u>Mine No. 1</u>	<u>Mine No. 2</u>	<u>Mine No. 3</u>
Extent of Horizontal Workings	240 acres	375 acres	1,870 acres
Extent of Vertical Workings	Surface to 1,250'	Surface to 2,250'	Surface to 2,125'

Area of Surface Disturbance

The construction/installation of surface facilities at the mine site, loading area, conveyor belt route, well houses, water tank pad, waste rock disposal site and South Fork Breakout results in the following disturbed acreages:

NEW DISTURBED AREAS PERMITTED AND TO BE RECLAIMED

<u>AREA</u>	<u>ACREAGE</u>
Loadout	13.86
Portal Yard	36.40
Water tanks and Well pads	0.26
Conveyor Bench	8.70
Waste Rock Disposal Site and Road	15.67
South Fork Breakout	0.96
James Canyon Buried Power Line	0.30
James Canyon Buried Pipeline	1.60
James Canyon Water Wells and Road	2.95

TOTAL 80.70

Existing Disturbed Areas Permitted and Not to be Reclaimed

<u>AREA</u>	<u>ACREAGE</u>
Access Road to Waste Rock Disposal Pit	3.55
TOTAL PERMITTED ACREAGE	84.25

Legal Description of Permit Area

Township 12 South, Range 6 East, SLBM

Section 26: Portion
Section 34: Portion
Section 35: All
Section 36: Portion

Township 12 South, Range 7 East, SLBM

Section 32: Portion

Township 13 South, Range 6 East, SLBM

Section 1: Portion
Section 2: All
Section 3: All
Section 10: All
Section 11: All
Section 12: Portion
Section 13: Portion
Section 14: All
Section 15: All
Section 22: All
Section 23: All
Section 24: Portion
Section 25: Portion
Section 26: All
Section 27: All
Section 34: All
Section 35: Portion
Section 36: Portion

Township 13 South, Range 7 East, SLBM

Section 4: Portion
Section 5: Portion
Section 17: Portion
Section 18: Portion
Section 19: Portion

Township 14 South, Range 6 East, SLBM

Section 2: Portion
Section 3: Portion

Total acres within the PERMIT AREA: 11,064

The acreage of 11,064 acres is an AutoCad ® generated number from drawing number 1.6-3.



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Wess Sorensen, Mine Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

Via Certified Mail

June 15, 2007

Price River Water Users Association
90 North 100 East
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in the S1/2SW1/4 Section 36, Township 12 South, Range 6 East, the N1/2NW1/4, W1/2NW1/4, and S1/2SW1/4 of Section 1, Township 13 South, Range 6 East, and the N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M.

Dear Sirs:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area by approximately 180 acres in portions of the S1/2SW1/4 Section 36, Township 12 South, Range 6 East, the W1/2SW1/4 of Section 1, and the N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of developing the main or room-and-pillar mining. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 448-2619.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Wess Sorensen, Mine Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

Via Certified Mail

November 20, 2007

Price River Water Users Association
90 North 100 East
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in portions of the S1/2S1/2 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M

Dear Sirs:

Please note, this correspondence is a follow up to similar letters sent both June 15, 2007, and October 17, 2007. The legal description on the October 17, 2007 correspondence incorrectly identified the S1/2S1/2 of Section 36, T12S, R6E, as the S1/4 of said Section. The area is correctly identified as the S1/2S1/2 of Section 36, Township 12 South, Range 6 East.

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area by approximately 680 acres in portions of the S1/2S1/2 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon, and some room-and-pillar mining. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of developing the mains or room-and-pillar mining. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 448-2619. Skyline Mine apologizes for the need of this additional correspondence.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Wess Sorensen, Mine Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

Via Certified Mail

October 17, 2007

Price River Water Users Association
90 North 100 East
Price, Utah 84501

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in portions of the S1/4 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M

Dear Sirs:

Please note, this correspondence is a follow up to a similar letter sent June 15, 2007. The legal description on the June 15, 2007 correspondence incorrectly identified the W1/2SW1/4 of Section 1, and did not include the entire increase in the permit area – only the area where mining is planned. The area is correctly identified as the W1/2SE1/4 of Section 1, Township 13 South, Range 6 East, and the entire proposed permit boundary addition is described.

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area by approximately 680 acres in portions of the S1/4 Section 36, T 12 South, Range 6 East, and the W1/2 of Section 1, the W1/2SE1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon, and some room-and-pillar mining. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of developing the mains or room-and-pillar mining. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619. Skyline Mine apologizes for the need of this additional correspondence.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Wess Sorensen, Mine Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

Via Certified Mail

November 20, 2007

Mr. Phil Allred
P.O. Box 96
Fountain Green, Utah 84632

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in portions of the S1/4 of Section 36, Township 12S Range 6 East, SLB&M, and the NW1/4 of Section 1 located north of Winter Quarters Creek, Township 13 South, Range 6 East, SLB&M.

Dear Mr. Allred:

Please note, this correspondence is a follow up to similar letters sent both June 15, 2007 and October 17, 2007. The October correspondence incorrectly identified the S1/2S1/2 of Section 36, Township 12 South, Range 6 East as the S1/4 of said Section. The following legal description identifies the entire area that is being permitted through the Utah Division of Oil, Gas, and Mining.

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area in a portion of the S1/2S1/2 of Section 36, Township 12 South, Range 6 East, SLB&M, and portions of the NW1/4 of Section 1 located north of Winter Quarters Creek, Township 13 South, Range 6 East, SLB&M. The area will encompass approximately 112 acres of mine development, with the permitted area located on your property being expanded by a total of approximately 296 acres. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of the mining in any of the areas identified in Section 1. Subsidence may occur in some of the area identified in Section 36; not as a part of the current activity, but possibly with future longwall mining. No surface disturbance will occur with the currently proposed development in Section 36. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619. Skyline Mine apologizes for the need of this additional correspondence.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cx: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Wess Sorensen, Mine Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

Via Certified Mail

October 17, 2007

Mr. Phil Allred
P.O. Box 96
Fountain Green, Utah 84632

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in portions of the S1/4 of Section 36, Township 12S Range 6 East, SLB&M, and the NW1/4 of Section 1 located north of Winter Quarters Creek, Township 13 South, Range 6 East, SLB&M.

Dear Mr. Allred:

Please note, this correspondence is a follow up to a similar letter sent June 15, 2007. Portions of the area identified to be undermined in the June 15, 2007, are correct. The following legal description identifies the entire area that is being permitted through the Utah Division of Oil, Gas, and Mining.

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area in a portion of the S1/4 of Section 36, Township 12 South, Range 6 East, SLB&M, and portions of the NW1/4 of Section 1 located north of Winter Quarters Creek, Township 13 South, Range 6 East, SLB&M. The area will encompass approximately 112 acres of mine development, with the permitted area located on your property being expanded by a total of approximately 296 acres. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of the mining in any of the areas identified in Section 1. Subsidence may occur in some of the area identified in Section 36; not as a part of the current activity, but possibly with future longwall mining. No surface disturbance will occur with the currently proposed development in Section 36. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 448-2619. Skyline Mine apologizes for the need of this additional correspondence.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cx: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Wess Sorensen, Mine Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

Via Certified Mail

June 15, 2007

Mr. Phil Allred
P.O. Box 96
Fountain Green, Utah 84632

RE: Canyon Fuel Company, LLC, Skyline Mine, Entry and Room Development in the S1/2SW1/4 of Section 36, Township 12S Range 6 East, SLB&M, and the W1/2NW1/4, the N1/2NW1/4 of Section 1, Township 13 South, Range 6 East, SLB&M.

Dear Mr. Allred:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area in a portion of the S1/2SW1/4 of Section 36, Township 12 South, Range 6 East, SLB&M, and a portion of the W1/2NW1/4, the N1/2NW1/4 of Section 1, Township 13 South, Range 6 East, SLB&M. The total area will encompass approximately 42 acres of mine development. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of the mining in any of the areas identified in Section 1. Subsidence may occur in some of the area identified in Section 36; not as a part of the current activity, but possibly with future longwall mining. No surface disturbance will occur with the currently proposed development in Section 36. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 448-2619.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cx: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Wess Sorensen, Mine Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

Via Certified Mail

October 17, 2007

Mr. George Liodakis
c/o Liodakis Ranch, LLC
2655 East Chalet Circle
Sandy, Utah 84093

RE: Canyon Fuel Company, LLC, Skyline Mine, Mine Entry and Room Development in portions of the W1/2 of Section 1 located south of Winter Quarters Creek, the W1/2SE1/4 of Section 1, the N1/2NW1/4 and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M.

Dear Mr. Liodakis:

Please note, this correspondence is a follow up to a similar letter sent June 15, 2007. Portions of the areas in Section 1 and Section 12, Township 13 South, Range 6 East, to undermined was mistakenly identified. Identifying the entire W1/2 of Section 1 located south of Winter Quarters Creek, and the W1/2SE1/4 of Section 1, the N1/2NW1/4 and the SW1/4NW1/4 of Section 12 more accurately represents the area being both permitted and undermined.

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area in portions of the W1/2 of Section 1 located south of Winter Quarters Creek, the W1/2SW1/4 of Section 1, the N1/2NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M. The area will encompass approximately 128 acres of room-and-pillar mining, with the permitted area located on your property being expanded by a total of approximately 384 acres. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of developing the room-and-pillar mining. No surface disturbance will occur will the currently proposed development. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619. Skyline Mine apologizes for the need of this additional correspondence.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

Wess Sorensen, Mine Manager
HCR 35, Box 380
Helper, UT 84526
(435) 448-2619 - Office
(435) 448-2632 - Fax

Via Certified Mail

June 15, 2007

Mr. George Liodakis
c/o Liodakis Ranch, LLC
2655 East Chalet Circle
Sandy, Utah 84093

RE: Canyon Fuel Company, LLC, Skyline Mine, Mine Entry and Room Development in the W1/2SW1/4 of Section 1 and the N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M.

Dear Mr. Liodakis:

As required by State mining regulations (R645-301-525.700), Canyon Fuel Company, LLC (CFC) Skyline Mine is notifying you of the mine's plan to expand its permit area by approximately 140 acres in portions of the W1/2SW1/4 of Section 1, and N1/2NW1/4 of Section 12, Township 13 South, Range 6 East, SLB&M. CFC currently holds the coal leases in this area and will be developing main entries as access to additional coal resources north of Winter Quarters Canyon. Mining is projected to begin in January 2008. No subsidence or surface disturbance will occur as the result of developing the main or room-and-pillar mining. No surface disturbance will occur with the currently proposed development. No surface or ground water will be interrupted or diminished as a result of the mining activity. Copies of the mine plan may be examined at the Carbon County Courthouse or at the Division of Oil, Gas, and Mining offices in Salt Lake City.

If you have any questions regarding this letter or would like to discuss future mining plans for the above referenced sections, please call Mark Bunnell at (435) 448-2366 or me at (435) 488-2619.

Sincerely,

Wess Sorensen
Mine Manager, Skyline Mine
Canyon Fuel Company, LLC

Cc: Pamela Grubaugh-Littig, Utah Division of Oil, Gas & Mining

E 093120 B 507 P 684
Date 8-AUG-2002 11:21am
Fee: 3.00 Check
SHARON MURDOCK, Recorder
Filed By KR
For WILLIAM PRINCE
CARBON COUNTY CORPORATION

SK-047

UNDERGROUND COAL LEASE

ORIGINAL

THIS UNDERGROUND COAL LEASE ("Lease"), made effective as of August 1, 2002 ("Effective Date"), is by and between C&B Energy, LLC, a Utah limited liability company ("Lessor"), whose address is 1431 North 1200 West, Orem, Utah 84057 and Canyon Fuel Company, LLC, with offices at 6955 South Union Park Center, Suite 550, Midvale, UT 84047 ("Lessee").

WITNESS that in consideration of the sum of Two Thousand Dollars (\$2,000.00) in hand paid by Lessee as Rental for the first year of this Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Lessor, and in further consideration of the Production Royalty, covenants and agreements herein set forth, the parties agree as follows:

1. Grant of Lease.

a. Lessor does hereby grant, demise, lease and let exclusively unto the Lessee, and the Lessee leases and takes from the Lessor, for the purposes herein specified, all "Coal" (as hereinafter defined) situated in, on or under the following described real property situated in Carbon County, State of Utah, including all present interest of Lessor in the coal estate and any after-acquired, reversionary, contingent or future interest of Lessor ("Leased Premises"):

Township 13 South, Range 6 East, SLB&M

Section 1: W/2SE/4;

Section 12: NW/4SW/4, SW/4NW/4, NE/4NW/4.

(Containing 200 acres, more or less.)

For the purposes of determining the amount of Rental payments hereunder, the Leased Premises shall be treated as comprising 200 acres, whether there be more or less.

b. For the purposes of this lease, the term "Coal" is used in its commonly accepted meaning and shall include any seam, vein, bed, strata or deposit, from the lowest grade of lignite through the highest grade of anthracite, both inclusive, and all constituent products thereof mixed with or encountered when mining Coal in whatever physical state or form produced, and all impurities and other minerals of every nature and type of substance associated or commingled therewith. Lessee shall have the right to vent any methane or coalbed methane and other naturally-occurring gases contained within the seam ("Coal Seam Gas") encountered in Lessee's mining operations as a safety measure without liability or accountability of any nature whatsoever to Lessor, but Lessee shall not have the right to commercially produce or market any Coal Seam Gas. The rights hereby granted to Lessee shall not include mining or extraction rights with respect to oil, gas or other minerals other than Coal as defined herein, which rights are reserved exclusively unto the Lessor.

Scanned

2. Rights of Lessee.

a. The coal estate in the Leased Premises is hereby leased unto Lessee subject to the terms and conditions herein set forth for the purpose of prospecting, exploring, developing, testing, mining and operating for and producing by underground mining methods, whether now or hereafter existing or known, all Coal lying and situated in or under the Leased Premises, with the right to store, save, commingle, remove, transport, own and market, treat, process or otherwise utilize the Coal, together with all of the mining rights and privileges appurtenant to the Coal and incident to the ownership thereof.

b. By way of enlargement, and not by way of restriction, the following rights and privileges are also hereby granted to the extent Lessor has the right so to do:

1. Subject to the limitations regarding "Surface Ownership" as described in Section 8, the exclusive right and privilege to prospect upon and under the surface overlying the portion of the Leased Premises authorized for mining for Coal; to explore, survey, conduct soil and water sampling and other environmental studies; and to mine, drill, bore, core and test and analyze by any other reasonable means;

2. The exclusive right and privilege to enter upon and under, and the free and uninterrupted right-of-way into, upon, over, across and through, the Leased Premises, at such points and in such manner as may be necessary or convenient for the purpose of mining, removing, processing and marketing all of the Coal hereby leased;

3. The right-of-way, right of entry, access, ingress and egress and right to transport over, under, across and through the Leased Premises any coal now or hereafter owned, leased or otherwise acquired by Lessee and located on lands adjacent to the Leased Premises;

4. Subject to the limitations contained in this Lease, the right to use so much of the surface as may be necessary or convenient in conjunction with Lessee's operations hereunder;

5. The right to include the Leased Premises or any portion thereof in any plan of unitization for coal or a Federal logical mining unit pursuant to any such unitization, and so that operations or mining in any portion of the Leased Premises shall be deemed operations or mining on the logical mining unit for Federal diligent development and continued operations requirements, and where at Lessee's option, to commingle Coal with coal from lands other than the Lease Premises; and

6. The right to subside, collapse, sink, lower, and alter the surface, subsurface, and superadjacent strata of the portion of the Leased Premises authorized for mining as a result of Lessee's permitted operations hereunder.

3. Term.

Subject to the other provisions herein, this Lease shall remain in effect for a primary term of ten (10) years from the Effective Date, and so long thereafter as Coal is produced from the Leased Premises.

4. Rental.

a. Within one (1) year from the Effective Date, and on or before each anniversary date thereafter during the primary term and any continuation of the term, this Lease shall be kept in full force and effect for the next ensuing year by the Lessee's payment to Lessor of a rental in the amount of \$3.00 per acre ("Rental").

b. Subject to the right of Lessee to terminate this Lease in whole or in part, Rental payments as set forth above shall be made annually whether in the primary term or the continuing term of this Lease, regardless of whether or not there is production of Coal from the Leased Premises. Temporary suspension of actual mining and production of Coal by Lessee during the primary term shall be without prejudice to its right to resume operations as long as Rental payments are made as herein provided.

c. Rental payments made pursuant to this Lease shall not be recouped, credited or set off against Production Royalty payable under this Lease.

5. Production Royalty.

a. Lessee shall pay to Lessor as a production royalty for all Coal mined, removed and sold from the Leased Premises the sum of eight percent (8%) of "Gross Proceeds" ("Production Royalty"). "Gross Proceeds" shall have the same meaning as the term gross proceeds is defined in 30 C.F.R., Part 206, Subpart F, with respect to Federal coal leases. The calculation of the value of the Production Royalty shall be determined under the provisions of such subpart applicable to Federal ad valorem coal leases, including amendments thereto and administrative and judicial interpretation thereof which shall include, without limitation, any deductions, adjustment or allowances now existing or hereafter permitted in calculating royalty due under Federal coal leases.

b. Production Royalty due and payable for Coal actually mined, removed and sold from the Leased Premises during any calendar month shall be paid on or before the last day of the next succeeding calendar month. In the event Lessee fails to pay any rent or royalty when due, the late payment shall be subject to the payment of interest from the due date to the date of payment at the rate of one and one-half percent (1-1/2%) per month simple interest. Any amount unpaid for more than thirty (30) days after its due date shall be deemed a breach of this Lease and Lessor shall be free to declare a breach pursuant to Section 9.

6. Records and Accounts.

a. Lessee shall keep a true and correct record of all Coal mined, removed and sold from the Leased Premises. Lessee shall maintain accurate and complete accounting records in support of all Production Royalty paid with respect to Coal production from the Leased

Premises in accordance with the standard for Federal royalty as set out in 30 C.F.R., Part 206, Subpart F and generally recognized accounting principles and practices.

b. On or before the last day of each calendar month following the month during which Lessee shall commence actual mining operations on the Leased Premises and for the remaining term of this Lease, Lessee shall furnish Lessor a true and correct statement showing the tons of Coal actually mined, removed, and sold during the preceding calendar month from the Leased Premises.

c. Lessor shall have the right after a ten-day prior written notice to Lessee to examine, audit and reproduce the records, vouchers and their source documents which serve as the basis for Production Royalty payments. Audit findings may be contested by either party. In the event of a dispute over audit findings by one of the parties, the parties shall jointly appoint an independent accounting firm to conduct a joint audit. The parties shall jointly share the costs and expenses incurred to conduct an independent audit. The conclusions of the independent accounting firm shall be binding on the parties.

7. Indemnification.

a. Lessee shall indemnify, defend and hold harmless Lessor from and against all suits, actions, claims, causes of action, losses, costs and demands (including without limitation reasonable attorney's fees) in any manner arising from or relating to operations and activities conducted by or for the benefit of Lessee on the Leased Premises and the use and occupancy of the Leased Premises pursuant to this Lease.

b. Lessor shall indemnify, defend and hold harmless Lessee from and against all suits, actions, claims, causes of action, losses, costs and demands (including without limitation reasonable attorney's fees) in any manner arising from, incident to or growing out of Lessor's use or occupancy of the Leased Premises.

c. Notwithstanding anything in this Lease to the contrary, the indemnity obligations undertaken herein shall survive the expiration, termination, or cancellation of this Lease.

8. Surface Ownership.

a. Lessor does not claim ownership of the surface estate with respect to the Leased Premises. Lessee shall be responsible to determine the ownership of the surface and obtain any and all such additional lease(s) or lease rights as may be necessary to conduct Lessee's operations on the Leased Premises.

b. Lessee shall mitigate any impacts to the surface caused by Lessee's activities on the surface of the Leased Premises consistent with applicable law, Lessee's approved mining permit and Lessee's surface use agreements. Lessor acknowledges that the payment of the consideration provided for herein is intended to fully compensate Lessor for any and all damages and liability of Lessee to Lessor under § 2504(a)(1) of the Energy Policy Act of 1992 with respect to those portions of the Leased Premises as to which Lessor is the owner of the surface estate.

9. Termination and/or Surrender.

a. If Lessee fails to comply with the provisions of this Lease and if Lessee does not initiate and diligently pursue steps to correct the default within thirty (30) days after notice has been given to it by Lessor specifying with particularity the nature of the default, then upon the expiration of the thirty (30) day period, Lessor shall have the right to declare this Lease in default, provided, however, that the rights and obligations of Lessee under this Lease shall not terminate until such time as the declared default has been submitted to a court of law and a final, non-appealable order has been issued terminating this Lease based on the alleged default. The service of a default notice shall be a condition precedent to the bringing of any action by Lessor on this Lease for such default, and no such action shall be brought with respect to such default until the lapse of thirty (30) days after service of such notice. The doing of any acts by Lessee reasonably sufficient to cure all or any of the alleged breaches or defaults shall not be deemed an admission or presumption that Lessee has failed to perform any or all of its obligations hereunder.

b. Any default claims with respect to the payment of money may be cured by the deposit in escrow of the amount in controversy (not including claimed damages) and giving of notice of the deposit to Lessor, the amount to remain in escrow until the controversy is resolved by decision of a court or arbitrators or otherwise.

c. Upon termination of this Lease by court order, Lessee shall have a reasonable time in which to remove all of Lessee's machinery, equipment and other property from any part of the Leased Premises.

d. Lessee may at any time terminate this Lease (as to all or part of the Leased Premises) by delivering to Lessor or by filing for record in the appropriate office (with a copy to Lessor) a recordable Surrender of this Lease (or a Partial Surrender describing that portion of the Leased Premises as to which this Lease is surrendered). Upon mailing the Surrender (or Partial Surrender) to Lessor or to the appropriate office, all rights, liabilities, obligations of Lessee under this Lease (with respect to the portion of the Leased Premises as to which this Lease is terminated) shall terminate, except that (i) Lessee shall have the rights provided herein to remove property and (ii) Lessee shall have those liabilities for payment of Rentals and Production Royalty, reclamation, and indemnification otherwise existing on the date of termination, and then accrued.

10. Depository Bank, Change of Ownership.

a. All payments under this Lease may be paid or tendered to Lessor or to Lessor's credit in the C & B Energy LLC Bank at 1431 North 1200 West, Orem State of Utah 84057 which bank, and its successors, are hereby made agents of Lessor to receive all payments herein provided for, and shall continue as the depository regardless of changes in the ownership of the Leased Premises or of the right to receive said payments. If such bank (or any successor bank) should fail, liquidate or be succeeded by another bank, or for any reason fail to accept a payment, Lessee shall not be held in default for failure to

make or tender name until thirty (30) days after Lessee shall deliver to Lessee a proper instrument naming another bank or depository as agent to receive such payments or tenders.

b. All payments or tenders may be made by wire transfer or by delivering or mailing a check to the depository or to Lessor (at Lessor's last known address as shown by Lessee's records), as appropriate. Payments shall be deemed proper payment or tender as herein provided upon receipt by Lessor or the depository bank.

c. No change or division in ownership of the Leased Premises or Production Royalty, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee. No such change or division in the ownership of the Leased Premises or Production Royalty shall be deemed notice to or binding upon Lessee for any purpose, despite actual or constructive notice by Lessee, until forty-five (45) days after the person acquiring any interest shall furnish Lessee at Lessee's address above, with the original instrument or instruments, or certified or true copies thereof, evidencing such change, transfer or division of ownership; provided that Lessee may at its election, recognize any such change or division prior to the expiration of said forty-five (45) day period of time and make payment to the new owners.

11. Lesser Interest.

If Lessor owns less interest in the Coal in the Leased Premises than the entire and undivided fee simple estate therein, then whether or not such interest is referred to or described herein, Production Royalty, Rentals and other payments herein provided for shall be paid to Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee simple estate in the Coal in the Leased Premises.

12. Compliance with Law.

Lessee shall conduct all operations hereunder in a good and workmanlike manner and in full compliance with all applicable local, state and federal laws, rules, regulations and orders, including, but not limited to, those pertaining to mine safety, zoning, environmental protection and land reclamation.

13. Liability Insurance.

a. Without limiting any liabilities or any other obligations of the Lessee on and after the date of this Lease, Lessee shall have and maintain insurance with companies which are rated by Best Insurance Rating at A or above and with at least the following liability limits:

1. Commercial General Liability (occurrence form), covering bodily injury and property damage liability, including contractual, XCU, products and completed operations with minimum limits of \$5,000,000 per occurrence;
2. Comprehensive Automobile Liability covering owned, hired and non-owned vehicles with minimum limits of \$1,000,000 per occurrence;
3. Workers' Compensation or Industrial Accident insurance as required by law.

b. All insurance policies shall be the primary insurance for Lessee and shall name Lessor as an additional insured.

14. Taxes and Encumbrances.

The Lessee shall pay all validly assessed and levied property taxes on its improvements and property and shall pay all of the taxes, if any, validly assessed and levied against its right in the Coal covered by this Lease and its rights, if any, in the surface over the Leased Premises. Lessor shall pay all validly assessed and levied taxes on its interests in the Leased Premises. In the event a federal, state, county or municipal or other governmental agency levies a license, severance, sales, use, production or other tax on the Coal hereunder, or on Lessee's rights to operate or produce or sell such Coal, then and in that event the Lessee shall pay that portion of such tax attributable to its rights in the Coal and Lessor shall pay the portion thereof attributable to its rights in the coal. Lessee is hereby authorized to pay any mortgages, liens, taxes and assessments on behalf of the Lessor and be subrogated to the rights of the holders of such encumbrances and may, if it so desires, deduct any amounts so paid from Production Royalty or other payments due Lessor hereunder.

15. No Covenant to Develop or Produce.

Lessee shall be under no obligation, express or implied, to explore, develop, mine or rework the Leased Premises for Coal or any other mineral or substance which may be covered hereby, it being expressly agreed that the good faith judgment of the Lessee in carrying out the purpose of this Lease shall be conclusive.

16. Force Majeure.

When exploration, testing or mining or other operations hereunder are delayed or interrupted by lack of water, labor or material or by fire, storm, flood, war, rebellion, insurrection, riot, labor disputes or failure of carriers to transport or furnish facilities for transportation, or as a result of some order, requisition or necessity of any governmental authority or due to some zoning, environmental protection or land reclamation requirement, or as a result of any cause whatsoever beyond the control and not a result of any negligence of the Lessee, the time and result of such delay or interruption shall not be counted against Lessee or cause a termination of this Lease; provided, however, the obligation to make Rental and Production Royalty payments shall not be suspended but instead shall be due and owing during such period and shall be paid as provided for above. Lessee shall provide Lessor with written notice within ten (10) days after both the occurrence and the cessation of any condition constituting such above described force majeure hereunder.

17. Assignment.

Lessor may assign or transfer all or any portion of its interest in Leased Premises provided such assignment or transfer shall be made expressly subject to all of the terms and conditions of this Lease. Lessor shall not assign any portion of its rights or delegate any portion of its duties or obligations under this Lease independent of its interest in the Leased Premises. Lessee's interest in and to this Lease may be assigned or transferred subject to the prior written consent of Lessor, which consent shall not be unreasonably withheld, provided that Lessee may

assign or transfer all of its interests in this Lease to an affiliate or may sublet any interest in this Lease without prior written consent.

18. Title.

Lessor warrants title to the Leased Properties and the Coal by, through and under Lessor, but not otherwise, and makes no further representation or warranties as to title to the Coal or the Leased Premises. Lessee may purchase or lease the rights of any party claiming any interest in the Leased Property and the Coal, and Lessee shall not suffer any forfeiture nor incur any liability to Lessor by reason thereof. Should Lessee wish to investigate Lessor's title following execution of this Lease, Lessor agrees to cooperate with Lessee as to title matters by making available to Lessee all abstracts, title insurance policies and other title documents in Lessor's possession.

19. Modification.

No amendment or modification to this Lease shall be effective unless and until the same is embodied in writing and signed by all parties hereto.

20. Recording.

The parties agree that they will execute a Memorandum of Underground Coal Lease in a form substantially similar to that attached as Exhibit A and that the executed Memorandum will be placed of record in the county containing the Leased Premises. This Lease will not be placed of record.

21. Notices.

Any notice required or permitted herein shall be sufficient if given in writing or delivered by hand or deposited in the United States mail, certified, postage prepaid and addressed to the appropriate addresses set forth in the introduction of this Lease, or to such other addresses as any party hereto may, from time to time, designate in writing.

22. Inspection.

Provided that Lessor first gives Lessee five (5) days prior written notice and subject to Lessee's safety and health rules and policies, Lessor or its duly authorized agents and representatives shall have the right at their own risk, cost and expense to enter into and upon the Leased Premises and workings thereon for the purpose of examining and inspecting the same, and ascertaining whether the terms and conditions of this Lease are being carried out and performed by Lessee

23. Interference with Operations.

The parties recognize that this Lease does not cover oil and gas rights, except for the right to vent Coal Seam Gas, and other mineral rights not covered by this Lease underlying the Leased Premises and that Lessor retains the right to grant leases or other conveyances as to such rights. The parties acknowledge that Lessor may conduct oil and gas development activities on the

Leased Lands. Prior to approval of a permit for a surface location for an oil or gas well on or affecting the Leased Lands, but in no event less than sixty (60) day prior to conducting actual drilling operations on the Leased Lands, Lessor shall notify Lessee in writing of the proposed well location and related surface use activities and the parties shall use their commercially reasonable efforts to coordinate the well location to ensure the safety and operational integrity of Lessee's coal operations and to facilitate Lessor Party's proposed drilling activities.

24. Applicable Law.

This Lease and all of its terms and provisions shall be governed by and interpreted according to the laws of the State of Utah, including its equitable doctrines, without regard to its choice of law doctrines.

25. Binding Effect.

This Lease and all of its terms and conditions shall be deemed covenants running with the Leased Premises and shall be binding upon all who execute it, whether or not named in the body thereof, and without regard to whether this same instrument, or any copy or counterpart hereof, is executed by an of the other persons or parties named above, and shall be binding upon their heirs, devisees, administrators, executors, successors in interest and assigns, as appropriate.

IN WITNESS WHEREOF, the parties have executed this Lease effective as of the day and year first above written.

LESSOR:

C&B Energy, LLC

By: 

Title: General Manager

LESSEE:

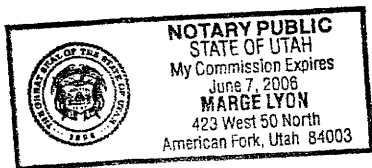
Canyon Fuel Company, LLC

By: 

Title: PRESIDENT

STATE OF UTAH)
)ss.
COUNTY OF Utah)

On the 30 day of July, 2002, personally appeared before me
Deena F. Cook, the General Manager
of C&B Energy, LLC, who signed the foregoing instrument on behalf of C&B Energy, LLC and
acknowledged to me that he executed the same.



Marge Lyon
Notary Public
Residing at: American Fork, Utah

STATE OF UTAH)
)ss.
COUNTY OF SALT LAKE)

On the 10th day of August, 2002, personally appeared before
me Richard D. Pick, the President of
Canyon Fuel Company, LLC, who signed the foregoing instrument on behalf of Canyon Fuel
Company, LLC and acknowledged to me that he executed the same.

Melissa Wood
Notary Public
Residing at: _____

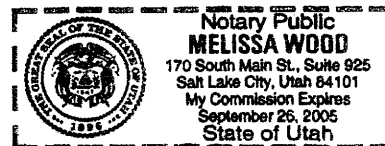


EXHIBIT A

MEMORANDUM OF UNDERGROUND COAL LEASE

THIS MEMORANDUM OF UNDERGROUND COAL LEASE made and entered into effective as of August 1, 2002 ("Effective Date"), is by and between **C&B Energy, LLC**, a Utah limited liability company, having an address of 1431 North 1200 West, Orem, Utah 84057 ("Lessor"), and **Canyon Fuel Company, LLC**, having an address of 6955 South Union park Center, Suite 550, Midvale, Utah 84047 ("Lessee").

Witnesseth:

The parties hereto agree:

1. Upon the terms and conditions set forth in the certain Underground Coal Lease ("Lease"), dated as of the Effective Date, all of which are hereby incorporated herein as if set forth in full, Lessor does hereby grant and lease unto Lessee for the purposes described in paragraph 2 of this Memorandum of Underground Coal Lease and in the Lease those certain lands situated in Carbon County, State of Utah, more particularly described as follows ("Leased Premises"):

Township 13 South, Range 6 East, SLB&M

Section 1: W/2SE/4;

Section 12: NW/4SW/4, SW/4NW/4, NE/4NW/4.

(Containing 200 acres, more or less.)

2. The Leased Premises are hereby leased unto Lessee subject to the terms and conditions of the Lease for the purposes of prospecting, exploring, developing, testing, mining and operating for and producing by underground mining methods, whether now or hereafter existing or known, all Coal lying and situated in, on or under the Leased Premises, with the right to store, save, remove, transport, own and market, treat, process or otherwise utilize said Coal, together with all of the mining rights and privileges appurtenant to the said Coal and incident to the ownership thereof.

3. The term of the Lease is for a period of ten (10) years which commenced on the Effective Date, and so long thereafter as Coal is produced from the Leased Premises.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Underground Coal Lease and the Underground Coal Lease to be signed by their proper officers thereunto duly authorized effective as of the Effective Date.

C&B Energy LLC

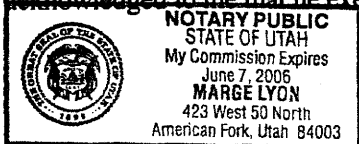
By: [Signature]
Its: General Manager

Canyon Fuel Company, LLC

By: [Signature]
Its: PRESIDENT

STATE OF UTAH)
)ss.
COUNTY OF Utah)

On the 30 day of July, 2002, personally appeared before me
Glenn F. Cook, the General Manager
of C&B Energy, LLC, who signed the foregoing instrument on behalf of C&B Energy, LLC and
~~acknowledged to me that he executed the same.~~



Marge Lyon
Notary Public
Residing at: American Fork, Utah

STATE OF UTAH)
)ss.
COUNTY OF SALT LAKE)

On the 10th day of August, 2002, personally appeared before me
Richard D. Pick, the President
of Canyon Fuel Company, LLC, who signed the foregoing instrument on behalf of Canyon Fuel
Company, LLC and acknowledged to me that he executed the same.

Melissa Wood
Notary Public
Residing at: _____

CONSENT, RATIFICATION AND AMENDMENT OF LEASE AND AGREEMENT

This CONSENT, RATIFICATION AND AMENDMENT OF LEASE AND AGREEMENT ("Agreement"), dated as of the Effective Date (defined below), is by and between **Carbon County**, a body corporate and politic of the State of Utah ("County") and **Canyon Fuel Company, L.L.C.**, a Delaware limited liability company ("CFC").

Recitals

A. The County has heretofore entered into a Lease and Agreement dated October 5, 1977, with Murco Coal Company, as amended from time to time ("Coal Lease") whereby the County granted to Murco, as lessee, the exclusive right to mine and dispose of all coal in, to and under lands located in Carbon County, Utah, and more particularly described on **Exhibit A** hereto ("Lease Lands"). The Coal Lease was filed for recording on November 10, 1977, recorded in Book 173 at page 659 of the records of the Carbon County Recorder. A copy of the Coal Lease is attached as **Exhibit B**.

B. By Assignment of Coal Lease dated the Effective Date (defined below), EF Coal Resources Limited Partnership ("Energy Fuels"), successor in title under the Coal Lease, assigns, transfers and sells to CFC all of Energy Fuels' right, title and interest in and to the Coal Lease subject to the consent of the County ("Energy Fuels Assignment").

C. The County desires to consent to the Energy Fuels Assignment, ratify the Coal Lease, and amend the Coal Lease as set forth in this Amendment.

D. CFC desires to obtain the County's consent and ratification, and to assume the Coal Lease as amended by this Amendment.

Agreement

NOW, THEREFORE, for and in consideration of Ten Dollars (\$10.00), the mutual covenants contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Consent. The County hereby consents to the transfer of the Coal Lease to CFC in accordance with the terms of the Energy Fuels Assignment.

2. Ratification. The County hereby ratifies and confirms the Coal Lease, as amended by this Amendment, and represents that, as of the Effective Date (defined below):

(a) The Coal Lease is valid and in full force and effect in accordance with its terms and covers the Lease Lands; there are no defects under the Coal Lease; and no event has occurred which, with the lapse of time or the giving of notice, or both, would constitute such a default.

(b) All rentals, royalties, advance rentals and royalties and assessments have been timely and properly paid, and no rentals, royalties or assessments are delinquent or due under the Coal Lease.

(c) The County has received advance rentals from lessees of the Coal Lease in the aggregate amount of \$625,000 ("Advance Payments"). CFC may credit the Advance Payments against Production Royalties as they accrue under the Coal Lease.

3. Amendment. The Coal Lease is hereby amended as follows:

(a) The lease agreement is retitled "Coal Lease."

(b) Sections 2, 3, 4, 5, and 6 are deleted in their entirety.

(c) The following paragraphs are adopted and shall be inserted into the Coal Lease to replace the deleted sections as numbered:

Section 2. This Coal Lease, as amended, shall remain in full force and effect for a period of twenty (20) years from the Effective Date of this amendment ("Amendment Date") and for so long thereafter as coal is produced from the Lease Lands. This Coal Lease shall be subject to readjustment of lease terms at the end of the 20th lease year from and after the Amendment Date and each 10-year period thereafter, provided, however, that all such readjustments shall not result in the adoption of terms and conditions more stringent than those applicable to federal coal leases issued for other lands located in the County. Lessee at its sole discretion may at any time terminate this Coal Lease or surrender all or part of the Lease Lands without any further obligation or liability to Lessor except for payments then due and payable or accrued at the time of termination or surrender.

Section 3. Lessee shall pay Lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of \$3.00 for each lease year. Annual rentals shall not be credited against Production Royalties. Except for the payment of annual rentals Lessee shall not be required to pay minimum advanced royalties, conduct any mining operations, or meet any diligence development or continued operation requirements in order to maintain this Coal Lease in full force and effect.

Section 4. Lessee shall pay Lessor a production royalty at the rate of eight percent (8%) of the value of the coal produced from the Lease Lands ("Production Royalty"). The parties adopt by reference the regulations set forth at 30 C.F.R., Part 206, Subpart F ("Federal Royalty Regulations") for purposes of determining the Production Royalty, including without limitation, determining the

"value" of coal produced from the Lease Lands. Accrued Production Royalties shall be payable to Lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues. Lessee shall have a credit in the amount of \$625,000 for advance rental payments previously made to Lessor ("Advance Payments"). Advance Payments shall be credited against Production Royalties as such Production Royalties become due and payable to the County, and Lessee shall have no obligation to pay to Lessor Production Royalties until all Advance Payments have been set off against accrued Production Royalties.

Section 5. Lessee shall have the right to mine coal from the Lease Lands by underground, auger, borehole, drilling, and in-situ solution method, with the exclusive right to store, save, remove, transport, own, sell and market, treat, process, and stockpile, commingle or otherwise utilize the coal, together with all rights-of-ways, easements and servitudes on, to and over the Lease Lands as may be necessary, useful or convenient for such purposes, and the right of ingress and egress therefore; the right to construct, use, maintain, repair, replace and relocate any and all facilities and structures on and in the Lease Lands as may be necessary, useful or convenient in connection with such operations on the Lease Lands; and the right to use the Lease Lands for access to and transportation of coal from adjacent lands.

Section 6. Lessee shall have the sole and exclusive right to determine the amount of mining to be conducted on or in connection with the Lease Lands, and there shall be no obligation on Lessee, and no covenant is implied, to mine, remove or produce coal from the Lease Lands.

4. Nothing in this Agreement shall, nor shall it be interpreted to, amend, modify or waive any provision of the Coal Lease except as expressly provided for herein. The parties shall prepare and file for recording in the real property records of Carbon County, Utah, a short form notice of the Coal Lease, as amended

5. This Agreement, together with the consent and amendment effectuated hereby, shall be effective for all purposes as of the date of the Energy Fuels Assignment ("Effective Date").

6. This Agreement may be executed by the parties in any number of counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same instrument. This Agreement shall become operative when each party has executed at least one counterpart of this Agreement.

EXECUTED and DELIVERED this 15th day of May, 2002, to be effective for all purposes as of the Effective Date.

Carbon County, a body corporate and politic of the State of Utah.

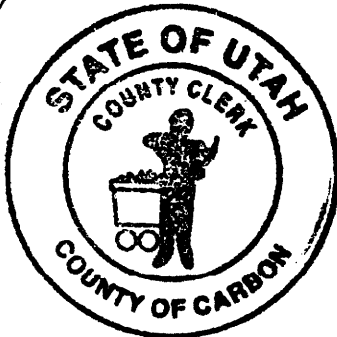
By: Don Muller
Commissioner

ATTEST:

Robert P. Pero
by Alexis P. Horsley, Deputy
County Clerk

By: Michael J. McNamee
Commissioner

By: Will D. Krompel
Commissioner



Canyon Fuel Company, L.L.C., a Delaware limited liability company

Richard D. Pick
By: RICHARD D. PICK
Its: PRESIDENT

Exhibit A
to
Consent, Ratification and Amendment of Lease and Agreement

LEASE LANDS

Township 12 South, Range 6 East, SLB&M

Section 24: E1/2SE1/4

Section 25: E1/2E1/2

Section 36: N1/2N1/2; S1/2S1/2

Township 12 South, Range 7 East, SLB&M

Section 30: SW1/4

Section 31: NW1/4NW1/4; SE1/4SW1/4

Township 13 South, Range 6 East, SLB&M

Section 1: W1/2

Section 12: NW1/4NW1/4; SW1/4SW1/4

Total Acreage Twelve Hundred (1200) Acres More or Less.

Exhibit B
to
Consent, Ratification and Amendment of Lease and Agreement
Coal Lease

Abstracted ☒
Rec. Fee 12.00

BOOK 173 OF Records
PAGE 659-664
ANN O'BRIEN
COUNTY RECORDER
Nov 18 10 57 AM '77
Kirkham

LEASE AND AGREEMENT

THIS 5th DAY OF OCTOBER, 1977 BY AND BETWEEN CARBON COUNTY, A BODY CORPORATE AND POLITIC OF THE STATE OF UTAH, HEREINAFTER REFERRED TO AS "LESSOR", AND MURCO COAL COMPANY, A CORPORATION WITH ITS PRINCIPAL OFFICE AT ELDORADO, ARKANSAS, HEREINAFTER REFERRED TO AS "LESSEE",

WITNESSETH:

1. LESSOR HEREBY LEASES TO LESSEE THE EXCLUSIVE RIGHT AND PRIVILEGE TO MINE AND DISPOSE OF ALL COAL IN THE FOLLOWING DESCRIBED TRACTS OF LAND SITUATED IN CARBON COUNTY, STATE OF UTAH:

TOWNSHIP 12 SOUTH, RANGE 6 EAST, SLBM

- SECTION 24: E $\frac{1}{2}$ SE $\frac{1}{4}$
- SECTION 25: E $\frac{1}{2}$ E $\frac{1}{2}$
- SECTION 36: N $\frac{1}{2}$ N $\frac{1}{2}$; S $\frac{1}{2}$ S $\frac{1}{2}$

PEOPLE READ

TOWNSHIP 12 SOUTH, RANGE 7 EAST, SLB&M

- SECTION 30: SW $\frac{1}{4}$
- SECTION 31: NW $\frac{1}{4}$ NW $\frac{1}{4}$; SE $\frac{1}{4}$ SW $\frac{1}{4}$

TOWNSHIP 13 SOUTH, RANGE 6 EAST, SLB&M

- SECTION 1: W $\frac{1}{2}$
- SECTION 12: NW $\frac{1}{4}$ NW $\frac{1}{4}$; SW $\frac{1}{4}$ SW $\frac{1}{4}$

TOTAL ACREAGE TWELVE HUNDRED (1200) ACRES MORE OR LESS.

2. THIS LEASE AND AGREEMENT SHALL COMMENCE ON NOVEMBER 17, 1977, AND SHALL EXTEND THEREAFTER FOR A PERIOD OF NINE (9) YEARS.

3. COMMENCING ON NOVEMBER 17, 1977, LESSEE AGREES TO PAY THE LESSOR ANNUALLY IN ADVANCE, AND THEREAFTER FOR A PERIOD OF THREE (3) YEARS, THE SUM OF TWELVE HUNDRED AND NO/100 DOLLARS (\$1200.00).

4. LESSEE AGREES THAT AT ITS OPTION IT WILL COMMENCE A MINING OPERATION UPON THE LEASED PREMISES NOT LATER THAN NOVEMBER 17, 1980, OR IN THE ALTERNATIVE THAT IT WILL PAY TO LESSOR ANNUALLY IN ADVANCE THE SUM OF TWENTY FIVE THOUSAND AND NO/100 DOLLARS (\$25,000.00) COMMENCING ON NOVEMBER 17, 1980, AND FOR SIX (6) YEARS THEREAFTER.

5. ALL ADVANCE RENTAL CREDITED AGAINST THE FIRST ROYALTIES AS THEY ACCRUE UNDER THIS LEASE. LESSEE AGREES TO PAY LESSOR A ROYALTY OF FIFTEEN CENTS (15¢) ON EVERY TON OF 2,000 POUNDS OF CLEAN COAL MINED DURING THE TERM OF THE LEASE. ROYALTIES SHALL BE PAYABLE QUARTERLY WITHIN THIRTY (30) DAYS FROM THE EXPIRATION OF THE QUARTER IN WHICH THE COAL IS MINED. ALL PAYMENTS DUE HEREUNDER SHALL BE PAID AT THE TREASURER'S OFFICE OF LESSOR AT PRICE, UTAH.

6. LESSEE IS HEREBY GRANTED AND SHALL HAVE AN OPTION TO EXTEND THE TERM OF THIS LEASE FOR SUCCESSIVE FIVE-YEAR TERMS SO LONG AS IT IS NOT IN DEFAULT HEREUNDER. SAID OPTIONS SHALL BE EXERCISED BY LESSEE DELIVERING TO LESSOR AT LEAST THREE MONTHS PRIOR TO THE EXPIRATION OF THE NINE-YEAR PRIMARY TERM OR ANY FIVE-YEAR TERM, WRITTEN NOTICE OF ITS INTENTION TO SO EXTEND THE TERM OF THIS LEASE.

(A) BEFORE THE COMMENCEMENT OF ANY FIVE-YEAR RENEWAL TERM HEREUNDER THE AMOUNT OF ROYALTY PER TON DUE DURING SAID RENEWAL TERM MAY BE RENEGOTIATED BETWEEN THE PARTIES. IN NO EVENT, HOWEVER, SHALL THE RENEGOTIATED ROYALTY RATE EXCEED THE RATE CHARGED FOR UNDERGROUND MINING BY THE FEDERAL GOVERNMENT ON COAL LANDS IN THE VICINITY OF THE LANDS ABOVE DESCRIBED.

(B) IF LESSEE EXTENDS THIS LEASE INTO ANY OF THE FIVE-YEAR OPTION PERIODS, LESSEE AGREES THAT, AT ITS OPTION, IT WILL COMMENCE A MINING OPERATION UPON THE LEASED PREMISES NOT LATER THAN NOVEMBER 17, 1986, OR IN THE ALTERNATIVE THAT IT WILL PAY TO LESSOR ANNUALLY IN ADVANCE THE FOLLOWING AMOUNTS ON THE FOLLOWING DATES:

<u>DATE</u>	<u>AMOUNT</u>
NOVEMBER 17, 1986	\$ 50,000.00
NOVEMBER 17, 1987	\$ 75,000.00
NOVEMBER 17, 1988	\$100,000.00
NOVEMBER 17, 1989	\$125,000.00
NOVEMBER 17, 1990 AND EACH SUCCEEDING NOVEMBER 17TH HEREAFTER	\$150,000.00

(C) NOTHING HEREIN SHALL OBLIGATE LESSEE TO MINE AND REMOVE COAL IF LESSEE CAN REASONABLY DEMONSTRATE THAT IT IS NOT ECONOMICALLY FEASIBLE.

7. LESSEE AGREES THAT ANY MINING DONE ON SAID PROPERTY SHALL BE IN A WORKMANLIKE MANNER IN ACCORDANCE WITH

GOOD AND ECONOMICAL MINING PRACTICES WITH DUE REGARD TO THE SAFETY, DEVELOPMENT AND PRESERVATION OF SAID PREMISES. LESSEE AGREES TO COMPLY WITH THE LAWS OF THE STATE OF UTAH, RULES AND REGULATIONS OF THE INDUSTRIAL COMMISSION OF UTAH AND LAWS OF THE UNITED STATES OF AMERICA AND WITH ALL OTHER LAWS, RULES AND REGULATIONS WHICH MAY HEREAFTER BE ENACTED OR PROMULGATED IN THE INTEREST OF SAFETY AND WORKMANLIKE OPERATIONS OF THE PREMISES CONTAINED IN THIS LEASE.

8. LESSEE AGREES AT REASONABLE TIMES AND AS REQUESTED BY THE APPROPRIATE OFFICIAL OF LESSOR TO FURNISH A PLAT OR MAP SHOWING DEVELOPMENT WORK AND IMPROVEMENTS ON THE LEASED PREMISES, AND TO FURNISH IN SUCH FORM AS LESSOR MAY REQUEST, WITHIN THIRTY (30) DAYS FROM THE EXPIRATION OF EACH QUARTER, A REPORT CERTIFIED BY LESSEE OR ITS AGENT OR REPRESENTATIVE HAVING PERSONAL KNOWLEDGE OF THE FACTS.

9. LESSEE AGREES TO PERMIT, AT REASONABLE TIMES, INSPECTION OF THE PREMISES BY AN AUTHORIZED REPRESENTATIVE OF LESSOR AND TO PERMIT INSPECTION AND THE MAKING OF COPIES OF EXTRACTS OF ALL BOOKS AND RECORDS PERTAINING TO OR DISCLOSING THE OPERATION AND/OR REMOVAL OF COAL FROM THE LEASED PREMISES.

10. LESSEE AGREES TO PAY, WHEN DUE, ALL TAXES LAWFULLY ASSESSED BY THE STATE OF UTAH, UPON IMPROVEMENTS OR OUTPUT OF COAL ON OR FROM THE LEASED PREMISES.

11. UPON TERMINATION OF THIS LEASE BY FORFEITURE OR BY EXPIRATION OF THE TERMS HEREIN PROVIDED, THE LESSEE SHALL HAVE THEN THE PRIVILEGE AT ANY TIME WITHIN EIGHTEEN (18) MONTHS THEREAFTER TO COMPLETE NECESSARY RECLAMATION WORK REQUIRED BY STATUTE AND TO REMOVE FROM THE LEASED PREMISES ALL MACHINERY, EQUIPMENT, TOOLS AND MATERIALS OTHER THAN UNDERGROUND ROOF SUPPORT WHICH IS NECESSARY FOR THE PRESERVATION OF THE MINE. UPON EXPIRATION OF THE EIGHTEEN MONTH PERIOD ANY OF THE AFOREDESCRIBED PROPERTY OF LESSEE, WHICH REMAINS ON OR IN THE LEASED PREMISES, SHALL BECOME THE PROPERTY OF LESSOR.

12. LESSEE SHALL HAVE NO RIGHT TO ASSIGN OR TRANSFER THIS LEASE OR SUBLEASE SAID PROPERTY OR ANY PORTION THEREOF WITHOUT THE WRITTEN CONSENT OF THE LESSOR FIRST OBTAINED. LESSOR NOW CONSENTS, HOWEVER, THAT LESSEE MAY ASSIGN THIS LEASE WITHOUT THE WRITTEN CONSENT OF LESSOR TO: MURPHY OIL COMPANY; ANY WHOLLY OWNED SUBSIDIARY OF MURPHY OIL COMPANY; CENTURION INVESTMENT COMPANY; OR ANY WHOLLY OWNED SUBSIDIARY OF CENTURION INVESTMENT COMPANY.

13. IF ANY PORTION OF THE RENTS OR ROYALTIES FALLING DUE UNDER THE TERMS OF THIS LEASE SHALL REMAIN UNPAID FOR A PERIOD EXCEEDING THIRTY (30) DAYS, OR IF THE LESSEE SHALL FAIL TO RECTIFY ANY OTHER DEFAULT HEREUNDER WITHIN NINETY (90) DAYS AFTER SERVICE OF WRITTEN NOTICE THEREOF BY LESSOR, THEN AND IN SUCH EVENT, AT THE OPTION OF LESSOR, THIS LEASE MAY BE FORFEITED AND THE LESSOR MAY EXERCISE ALL RIGHTS OF ENTRY AND RE-ENTRY UPON THE LEASED PREMISES, PROVIDED, NEVERTHELESS, IF BY THE NATURE OF THE REMEDIAL WORK REQUIRED, IT CANNOT WITH REASONABLE DISPATCH BE CURED WITHIN A PERIOD OF NINETY (90) DAYS, THEN IF UPON SERVICE OF SAID WRITTEN NOTICE LESSEE IN GOOD FAITH COMMENCES AND WITH REASONABLE DISPATCH UNDER THE CIRCUMSTANCES THEREAFTER CONTINUES TO RECTIFY THE DEFAULT, LESSOR SHALL NOT FORFEIT OR TERMINATE THIS LEASE ON ACCOUNT OF THE DEFAULT BEING SO REMEDIED.

14. LESSOR DOES NOT WARRANT TO LESSEE THAT IT IS THE OWNER OF THE ABOVE DESCRIBED PROPERTY OR THE COAL CONTAINED THEREIN. IT IS AGREED, HOWEVER, THAT IF IT IS LEGALLY DETERMINED THAT LESSOR DOES NOT OWN THE COAL UNDER ANY OF THE LEASED LAND THEN THE LESSEE SHALL NOT BE REQUIRED TO PAY FUTURE RENTAL ON SUCH ACREAGE BUT THIS AMENDED LEASE SHALL REMAIN IN FULL FORCE AND EFFECT WITH RESPECT TO THE COAL ACREAGES OWNED BY LESSOR AND ANNUAL RENTAL SHALL BE PRO-RATED ACCORDINGLY. ON ANY ACREAGE SO DELETED, LESSEE SHALL NOT BE ENTITLED TO ANY REFUND OF ANNUAL RENTALS THEREFORE PAID TO LESSOR.

15. LESSEE SHALL HOLD LESSOR HARMLESS ON ACCOUNT OF ANY AND ALL LIABILITY ARISING OUT OF LESSEE'S OPERATIONS ON THE LEASED PREMISES.

16. NOTICES PROVIDED HEREIN SHALL BE GIVEN IN WRITING TO THE PARTIES AS FOLLOWS:

IF TO LESSOR: CARBON COUNTY
COURT HOUSE BUILDING
PRICE, UTAH 84501
ATTN: COUNTY CLERK

IF TO LESSEE: MURCO COAL COMPANY
200 JEFFERSON AVENUE
ELDORADO, ARKANSAS 71730

ATTN: PRESIDENT

17. THIS LEASE AND AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT UNDERSTANDING BETWEEN THE PARTIES HERETO.

WITNESS THE HANDS OF THE PARTIES HERETO IN TRIPPLICATE AS OF THE DATE FIRST ABOVE SET FORTH.

CARBON COUNTY, A BODY
CORPORATE AND POLITIC OF
THE STATE OF UTAH

ATTEST:

Richard
COUNTY CLERK
Mary Seghay
Seghay
Deputy

BY *James P. Hansen*
COMMISSIONER

BY *Floyd Marx*
COMMISSIONER

BY *Lee Hinckley*
COMMISSIONER

MURCO COAL COMPANY,
A CORPORATION

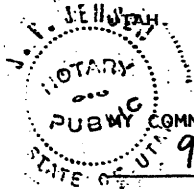
BY *Robert J. Sweeney*
ITS PRESIDENT

663

1650

STATE OF UTAH)
 : SS.
 COUNTY OF CARBON)

PERSONALLY APPEARED BEFORE ME THIS 5TH DAY OF
October, 1977, JAMES P. SIMONE, LEE SEMKEN, AND
 FLOYD MARX, WHO DULY ACKNOWLEDGED TO ME THAT THEY SIGNED THE
 FOREGOING DOCUMENT AS COMMISSIONERS FOR AND ON BEHALF OF
 CARBON COUNTY, A BODY CORPORATE AND POLITIC OF THE STATE OF



MY COMMISSION EXPIRES:

9-19-79

James T. Jensen
 NOTARY PUBLIC
 RESIDING AT Price, Utah

STATE OF ARKANSAS)
 : SS.
 COUNTY OF UNION)

PERSONALLY APPEARED BEFORE ME THIS 3rd DAY
 OF NOVEMBER, 1977, Robert J. Sweeney, WHO DULY
 ACKNOWLEDGED TO ME THAT HE SIGNED THE FOREGOING DOCUMENT FOR
 AND ON BEHALF OF MURCO COAL COMPANY, A CORPORATION, PURSUANT
 TO A RESOLUTION OF ITS BOARD OF DIRECTORS.

MY COMMISSION EXPIRES:

Mabel Powell
 NOTARY PUBLIC
 RESIDING AT EL DORADO, ARK.

MABEL POWELL

Notary Public in and for Union County, Ark.

Residing at El Dorado, Arkansas

My commission expires Jan. 10, 1978



- The standard wet chemical analysis (ASTM D 2492) determines iron soluble in nitric acid, and calculates from this the pyrite content. This test does not separate marcasite values from pyrite values and merely reports the total as pyrite.
- On a dry basis the three mineable seams average from 0.55 to 0.62 percent total sulfur by weight. On the same basis, pyritic sulfur averages from 0.07 to 0.21 percent. Even if all the pyritic sulfur were marcasite, it would not be sufficient to cause acid mine drainage problems.
- The Permittee consulted with Commercial Testing and Engineering Laboratories, Inc. in Denver, Colorado, and Standard Laboratories, Inc. in Charleston, West Virginia, and did not find an accurate and quantitative method to determine marcasite content in coal.

The North Lease is a continuation of mining the Lower O'Connor "A" seam as was previously performed in Mine #3 (the existing Mine #3 workings are located within 50 feet horizontally of the planned new works of Mine #3 in the North Lease), the same geochemical conditions are anticipated. Lab analysis from drill holes in the North Lease of the floor, roof, and coal indicate the potential for generating acid or toxicity are low. Results are included in Appendix Volume A-3 Volume 2. Testing of material transported to the waste rock disposal site indicates that only a very small percentage of material that would be classified as acid and toxic forming has been found in the Lower O'Connor "A" seam. The handling of waste rock and material determined to be acid or toxic forming is described in Sections 4.4.5 and 4.16 of this M&RP.

2.2.9 Waste Rock Disposal Site

The stratigraphy of the waste rock disposal site area is very similar to that of the minesite permit area, consisting of inter-bedded sandstone, siltstone, and shale, with numerous carbonaceous and coaly zones. In November of 1976, Sanders Exploration drilled a borehole about 1,300 feet east of the waste rock permit site located in the SE 1/4, NW 1/4, Sec 4, T 13S, R 7E. The drill hole report for the site identified as S-4 can be found in Appendix Volume A-4.

Geotechnical

The geotechnical data report by Dames and Moore dated October 30, 1979 is included in its entirety in Appendix Volume A-3. Much of that report is interpretive in nature and deals with facilities that have since been constructed.

completed in August 2002. Annual updates to the study have been submitted with the annual reports. This study concluded after the 2005 information was submitted based on the initial parameters of the study which indicated the study would last through one (1) year after discharge from the mine decreased to a sustained flow less than 5,000 gpm.

Samples obtained at the MC-sites were monitored for total flow, TDS, TSS, and total phosphorous. In addition a stream stability cross-section and reach survey was conducted approximately 75 yards downstream of the MC-6 monitoring location. The results of these analyses were reported with the other mine water quality monitoring reports while the study was being conducted (2002-2005).

Sites MD-1, JC-1, JC-3, and ELD-1 were also added to the monitoring site list. MD-1 is a composite sample of the all the water discharged from Skyline Mine to Eccles Creek. JC-1 and JC-3 are samples of the water discharged from the two James Canyon ground and mine dewatering wells. ELD-1 reports the total flow-only from both JC-1 and JC-3. MD-1 and ELD-1 are monitored for total flow and the results are reported to the Division on a monthly basis. Quarterly, MD-1, JC-1, and JC-3 are also monitored for TSS, TDS, and total phosphorous. Since JC-3 is a PacifiCorp UPDES site, it is monitored each month for flow, TSS, TDS, oil and grease, and total iron. The UPDES sampling results are forwarded to the Division monthly.

Spring monitoring sites WQ1-1, WQ1-39, WQ3-6, WQ3-26, WQ3-41 WQ3-43, and WQ4-12 were added to the permit. Surface water sites CS-19, CS-20, and CS-21 were added as were wells 91-26-1 and 91-35-1. All of these sites are in the North Lease area. Location of these samples sites are illustrated on Drawing 2.3.6-1.

Skyline Mine has also obtained numerous water samples from within the mine for age-dating purposes. Samples have been analyzed for both stable and unstable isotopes; the majority being analyzed for tritium and carbon 14 content. The analyses results of these samples is discussed in detail in the July 2002 Addendum to the PHC. The results of repeated tritium sampling and analysis in a few location in the mine, specifically those in the 9 and 10 Left panel areas that began in August 2001, suggest that the majority of the water is not younger than 50 years. Only a few carbon 14 samples have been obtained from these

Table 2.3.7-1
Comprehensive Water Quality Analytical Schedule
(Surface and Ground Water Stations)
(continued)

Sample Site	1st Quarter						2nd ² / 3rd ³ / 4th Quarters												
	Lab Analysis ^{a2}	Field parameters only ^{a1}	Monthly Flow	Dissolved Oxygen	TDS, TSS, T-P	O & G	Lab Analysis ^{a2}	Qtrly Field parameters* only ¹	Quarterly Flow	Monthly Flow	Monthly Seasonal Flow	Quarterly Water Level Only	Dissolved Oxygen	TDS, TSS, T-P	O & G	Carbon 14	Tritium	Deuterium	Oxygen 18
Streams (cont.)																			
WRDS #1							X								X				
WRDS #2							X								X				
WRDS #3							X								X				
WRDS #4							X								X				
EL-1																	X		
EL-2																	X		
Springs																			
S10-1							X												
S12-1							X												
S13-2								X											
S13-7							X												
S14-4								X											
S15-3								X										X	
S17-2							X												
S22-5								X											
S22-7								X											
S23-4								X											
S24-1 Sulfur Spring								X										X	
S24-12								X											
S26-13								X											
S34-12								X											
S35-8								X											
S35-12								X											
S4-13								X										X	
S4-250								X											
S4-253								X										X	
WQ1-1								X											
WQ1-39							X												
WQ3-6							X												
WQ3-26							X												
WQ3-41							X												
WQ3-43							X												
WQ4-12							X												

TABLE 2.3.7-3
MONITORING STATION IDENTIFICATION

ECCLES CANYON/MUD CREEK DRAINAGES

STREAM STATIONS - 22 Stations

CS-1	CS-3	CS-4	CS-6	CS-9	CS-11	CS-15
VC-6	VC-9	VC-10	MC-1	MC-2	MC-3	MC-4
MC-5	MC-6	CS-19	CS-20	CS-21	VC-11	VC-12

MINE DISCHARGE STATIONS - 4 Stations

CS-12 (Mine #3) CS-14 (Mine #1) MD-1 (Composite CS-12 & CS-14)
SRD-1 (Total Mine Site Discharge to Eccles Creek/Scofield Reservoir)*

FRENCH DRAIN STATIONS - 1 Station

CS-13

HUNTINGTON CANYON

STREAM STATIONS - 12 Stations

CS-7 (F-5)	CS-8	CS-1	CS-16	CS-17	CS-18	CS-22
CS-23	UPL-3*	UPL-10	F-9	F-10	EL-1	EL-2

*Discontinued Spring, 1989

WASTEROCK DISPOSAL SITE

STREAM STATIONS - 4 Stations

WRDS #1 WRDS #2 WRDS #3 WRDS #4

GROUNDWATER STATIONS

SPRINGS - 26 Stations

S10-1	S12-1	S13-2	S13-7	S14-4	S15-3	S17-2
S22-5	S22-11	S23-4	S24-1 Sulfur	S24-12	S26-13	S34-12
S35-8	S36-12	2-413	3-290	WQ1-39	WQ3-6	WQ3-26
WQ3-41	WQ3-43	WQ4-12	8-253	WQ1-1		

WELLS (MONITORING) - 19 Well Stations

W79-10-1B	W79-14-2A	W79-26-1	W79-35-1A	W79-35-1B
92-91-03	W2-1(98-2-1)	W20-4-1	W20-4-2	W99-4-1
W99-21-1	W99-28-1	W20- 28-1	JC-1	JC-3
	ELD-1 (Total of JC-1 and JC-3)*	91-26-1	91-35-1	

WELLS, CULINARY -Referenced but not monitored

W13-1 W13-2 W17-1 W17-3 W24-1

NATIONAL POLLUTION DISCHARGE ELIMINATION SYSTEM (NPDES)

001 Portal Area 002 Loadout Area 003 Waste Rock Area JC-3 James Canyon

* Sites are monitored for total flow only and the results are reported to the Division on a monthly basis.

Main entries in the mines are advanced so that mining panels may be developed on one or both sides. These panels are usually 2,500 to 7,000 feet long and 400 to 800 feet wide. The panels will be mined by driving rooms or by retreat-type operations where coal is mined as Room and Pillar Mining. Where feasible, the coal will be removed by a longwall operation. The panels will then be "pulled" consecutively to the barrier, leaving the main entries intact.

The mains developed to access the North Lease area will be driven through the SW1/4 SW 1/4 of Section 12, Township 13 South, Range 6 East. Multiple entries will be driven north from existing workings within the unsealed southeastern portion of Mine 3 workings (Drawing 3.1.8-2). As the mains approach the northeast portion of the abandoned Mine 3 workings, they will be angled downward to go under the abandoned workings instead of through. This portion of Mine 3 was flooded by pumping water from Mine 2 into Mine 3 beginning in March 1999. This pumping continued until August 2002. At that time, the water level in the abandoned Mine 3 was reduced in the abandoned portion of Mine 3 to an elevation below the northeast corner of Mine 3 and at or below the level of the new entries. Draining of Mine 3 continues as mining advances north, west and down dip of the Mine 3 workings. Removing the water from the abandoned portion of Mine 3 removes the risk of flooding the new entries from water in Mine 3.

The abandoned Winter Quarters Mine workings are illustrated on Drawing 3.1.8-2. The new entries to the North Lease area are driven at least 300 feet horizontally from the closest point in the abandoned Winter Quarters Mine. As required by MSHA, exploratory drilling was conducted at required intervals to ensure Skyline Mine does not intercept the abandoned Winter Quarters Mine.

In the North Lease, longwall mining is scheduled to commence in early 2006. Undermining of portions of Winter Quarters Creek and Woods Canyon creek are planned, but only minor surface subsidence is anticipated. A portion of land, approximately 397-acres, located on the north side of Winter Quarters Creek is identified as a potential first-mining area. Based on BLM recommendations for Maximum Economic Recovery (MER), the area will be mined by conventional methods should suitable conditions exist. No subsidence is anticipated in this area, should this area be determined to be mineable.

In 2007, due to a change in the longwall panel configuration in the North Lease located north of Winter Quarters Canyon an Incidental Boundary Change (IBC) modification was added to the permit. Development / conventional mining in portions of the S1/2S1/2 of Section 36, Township 12 South, Range 6 East, the W1/2 of Section 1, the W1/2SE1/4 Section 1, the N1/2 NW1/4 of Section 12, and the SW1/4NW1/4 of Section 12, Township 13 South, Range 6 East was added. No subsidence or surface disturbance is anticipated in this area based on the proposed activity.

3.1.3 Method of Mining

In order to achieve maximum coal reserve recovery and enhance overall production rates, the mining plan, as developed to date and herein proposed, involves two mining methodologies most appropriate for Skyline's coal reserves. The mines are developed using continuous miners to drive entries which are connected with cross cuts. Continuous miners are also used for retreat room and pillar mining. The room and pillar method of mining is being implemented in particular situations for which longwall mining is inappropriate. The longwall mining system will be used to extract the majority of the Skyline coal.

Longwall Mining

Longwall mining is proposed for the extraction of large uniform blocks of mineable coal, resulting in increased production rates and overall recovery. Mine layouts are based on longwall mining in areas where the panels generally are more than 2,500 feet in length and where a suitable longwall panel can be constituted. The 2,500 foot length is used however only as a guideline, and may vary significantly depending upon physical as well as economic factors. Recoverable coal reserves in longwall mining areas are based on mining a maximum thickness of fifteen feet.

The longwall mining operation utilizes at least two sizes of equipment in order to mine the variations in seam thickness locally encountered. Lower equipment will be used for mining down to 5 feet of coal thickness, and larger equipment will be used to mine thicknesses of at least 15 feet.

In areas where coal is thicker than the height capacity of the mining equipment, the unmined coal will be left in the bottom of the bed, unless economic or safety conditions or operation constraints warrant otherwise.

A high overall recovery of reserves can be expected as the longwall unit retreats through a panel. Pillars in developed entries will be left to protect adjacent panels. Longwall mining results in controlled surface subsidence in that small coal pillars and stumps are not left behind resulting in unpredictable surface behavior. A predictable uniform lowering of the surface will occur.



Canyon Fuel
Company, LLC.
Skyline Mine

A Subsidiary of Arch Western Bituminous Group, LLC.

MEMORANDUM
Gregg Galecki

Date: October 25, 2007

To: File

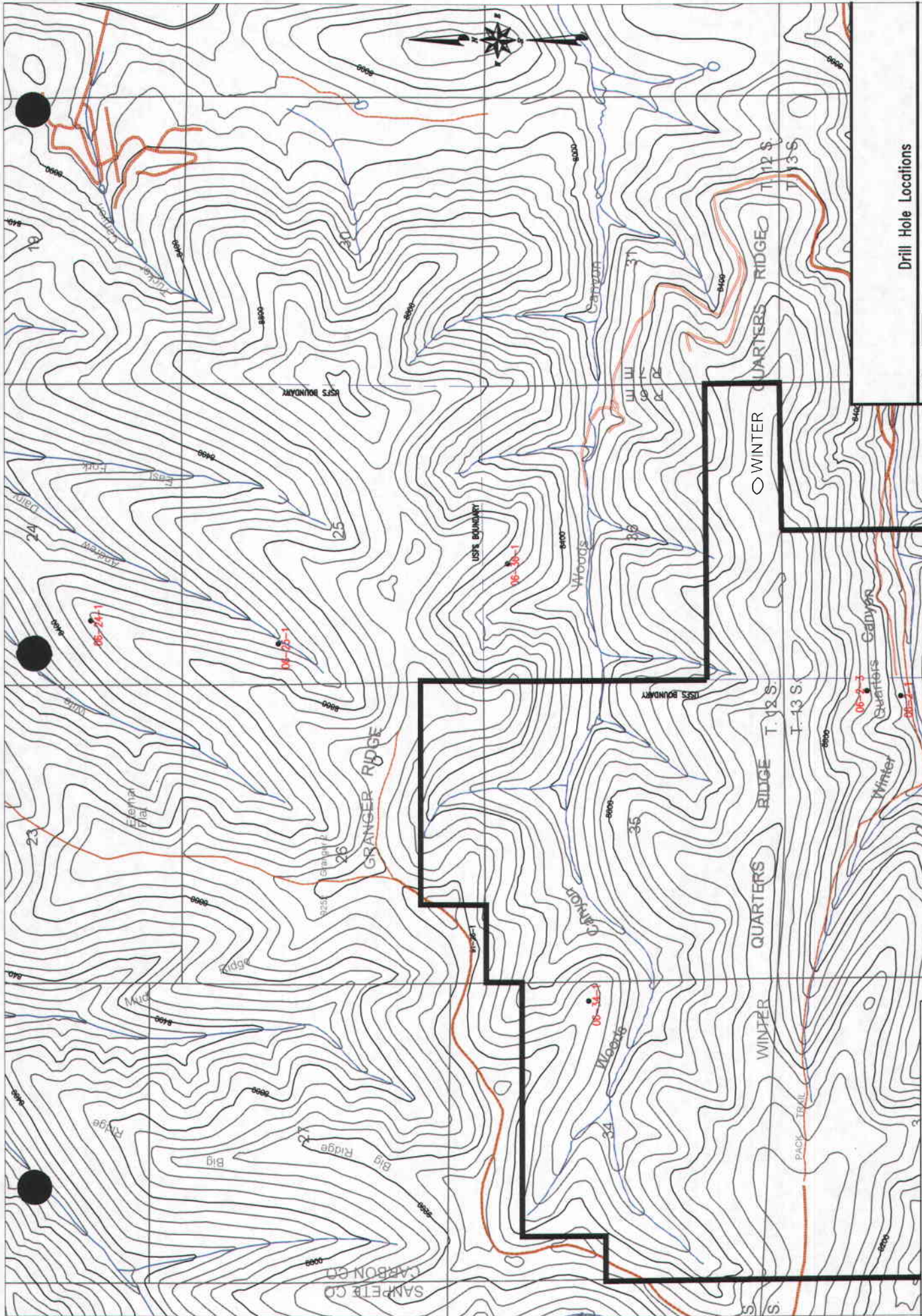
From: Gregg Galecki

Subject: Lab Analysis of floor, roof, and coal seam of selected drill holes located in the North Lease portion of Mine #3.

Per a Division of Oil, Gas, and Mining personnel request, attached is laboratory analysis of the floor, roof, and coal seam from selected drill holes located in the North Lease. Also attached is a location map identifying where the drill holes are located. The information is supplied as a demonstration of the low potential of generating acid or toxicity from coal seam.

The attached drill holes analysis represent a limited view of the mineable reserve. Waste Rock sent to the Waste Rock disposal site is sampled regularly - on a one (1) sample per 2,000-ton basis. Results from the analysis of the material deposited at the Waste Rock site is reported to the Division in the Annual Report.

This information is available both at the mine and Appendix A-3, Volume 2 of the Mine and Reclamation Plan.



Drill Hole Locations

Canyon Fuel Company, LLC
Skyline Mines

DATE: 10/29/2007 CK BY: G. Galecki
SCALE: 1" = 2250' DR BY: R. Sweetwood
DWG. NO.: Drillsurface-Skyline

Drill Site 06-2-2



September 25, 2007

Mr. Gregg Galecki
Canyon Fuel Company
Skyline Canyon Mine
HC 35 Box 380
Helper, Utah 84526

Dear Mr. Galecki:

Enclosed are the results for soil samples our laboratory received on August 31, 2007. The analyses were completed according to methods described in USDA Handbook 60 and the American Society of Agronomy monographs.

Feel free to contact me at your convenience if you have any questions or concerns.

Sincerely,

Karen Secor
Mining Soils

xc: File
Encl.



Soil Analysis Report
Canyon Fuel Company, LLC.

HCR 35, Box 380
Helper, UT 84526

Report ID: S0709017001

Project: Skyline Utah#6

Date Reported: 9/24/2007

Date Received: 8/31/2007

Work Order: S0709017

Lab ID	Sample ID	pH	Electrical				Calcium	Magnesium	Sodium	Potassium	SAR	Available		Exchangeable
			Saturation	Conductivity								Sodium	Sodium	
		s.u.	%	dS/m			meq/L	meq/L	meq/L	meq/L		meq/100g	meq/100g	
S0709017-001	06-2-1 Floor Rock	7.9	32.1	0.42		0.62	0.28	2.87	2.87	0.14	4.28	0.75	0.75	0.65
S0709017-002	06-2-1 Roof Rock	8.2	18.0	1.07		1.52	0.72	7.40	7.40	0.30	7.00	0.33	0.33	0.20
S0709017-003	06-2-2 Floor Rock	7.7	33.0	0.82		3.18	2.11	2.27	2.27	0.23	1.40	0.13	0.13	0.05
S0709017-004	06-2-2 Roof Rock	8.3	28.4	0.82		0.78	0.49	6.55	6.55	0.36	8.25			
S0709017-005	06-2-3 Floor Rock	6.6	32.8	1.75		4.99	3.69	8.08	8.08	0.41	3.88			
S0709017-006	06-2-3 Roof Rock	8.1	27.8	1.20		1.84	1.14	8.20	8.20	0.31	6.72	0.33	0.33	0.10
S0709017-007	06-24-1 Floor Coal	8.6	26.2	0.66		0.27	0.21	5.91	5.91	0.47	12.1	1.43	1.43	1.28
S0709017-008	06-24-1 Roof Rock	8.4	22.8	0.73		0.55	0.30	5.77	5.77	0.45	8.84	0.56	0.56	0.43
S0709017-009	06-25-1 Floor Rock	8.0	26.6	0.58		1.52	1.33	1.69	1.69	0.51	1.42			
S0709017-010	06-25-1 Roof Rock	8.0	25.9	0.74		2.09	1.98	2.00	2.00	0.97	1.40	0.16	0.16	0.11
S0709017-011	06-34-1 Floor Coal	8.8	24.8	0.66		0.25	0.20	6.29	6.29	0.16	13.4	1.25	1.25	1.09
S0709017-012	06-34-1 Roof Rock	8.7	27.9	0.98		0.36	0.16	9.38	9.38	0.16	18.3			
S0709017-013	06-36-1 Floor Rock	8.1	22.9	0.94		2.19	1.93	4.50	4.50	0.67	3.13	0.19	0.19	0.09
S0709017-014	06-36-1 Roof Rock	8.5	27.1	0.87		0.64	0.52	7.58	7.58	0.37	9.93			

These results apply only to the samples tested.

Abbreviations for extractants: PE= Saturated Paste Extract, H2OSol= water soluble, AB-DTPA= Ammonium Bicarbonate-DTPA, AAO= Acid Ammonium Oxalate

Abbreviations used in acid base accounting: T.S.= Total Sulfur, AB= Acid Base, ABP= Pyritic Sulfur, Pyr+Org= Pyritic Sulfur + Organic Sulfur, Neutral. Pot.= Neutralization Potential

Miscellaneous Abbreviations: SAR= Sodium Adsorption Ratio, CEC= Cation Exchange Capacity, ESP= Exchangeable Sodium Percentage

Reviewed by: Karen A Secor
Karen Secor, Soil Lab Supervisor



Soil Analysis Report
Canyon Fuel Company, LLC.

HCR 35, Box 380
Helper, UT 84526

Report ID: S0709017001

Project: Skyline Utah#6
Date Received: 8/31/2007

Date Reported: 9/24/2007
Work Order: S0709017

Lab ID	Sample ID	Sand			Silt	Clay	Texture	Coarse		TKN	Nitrogen		Selenium
		%	%	%				Fragment	%		Nitrate	ppm	
S0709017-001	06-2-1 Floor Rock	98.0	<0.1	2.0			Sand	100		<0.01	0.63		<0.02
S0709017-002	06-2-1 Roof Rock	86.0	6.0	8.0			Loamy Sand	100		0.01			
S0709017-003	06-2-2 Floor Rock	94.0	<0.1	6.0			Sand	100		0.01	0.88		0.02
S0709017-004	06-2-2 Roof Rock							100		0.04	0.20		0.06
S0709017-005	06-2-3 Floor Rock							100		0.03	0.46		0.08
S0709017-006	06-2-3 Roof Rock							100		<0.01	0.31		0.03
S0709017-007	06-24-1 Floor Coal	12.0	60.0	28.0			Silty Clay Loam	100		<0.01	0.29		0.02
S0709017-008	06-24-1 Roof Rock	64.0	24.0	12.0			Sandy Loam	100		<0.01	0.14		0.10
S0709017-009	06-25-1 Floor Rock							100		<0.01	1.22		0.05
S0709017-010	06-25-1 Roof Rock							100		<0.01			
S0709017-011	06-34-1 Floor Coal							100		0.02	0.29		0.02
S0709017-012	06-34-1 Roof Rock							100		0.01			
S0709017-013	06-36-1 Floor Rock	81.0	9.0	10.0			Loamy Sand	100		<0.01			
S0709017-014	06-36-1 Roof Rock							100		0.02			

These results apply only to the samples tested.

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Reviewed by: Karen A Secor
Karen Secor, Soil Lab Supervisor



Soil Analysis Report
Canyon Fuel Company, LLC.
HCR 35, Box 380
Helper, UT 84526

Report ID: S070901700

Project: Skyline Utah#6
Date Received: 8/31/2007

Date Reported: 9/24/2007
Work Order: S0709017

Lab ID	Sample ID	Total		T.S.		Neut.		T.S.	
		Carbon	TOC	Sulfur	AB	Pot.	t/1000t	ABP	t/1000t
		%	%	%	%	%			
S0709017-001	06-2-1 Floor Rock	0.5	0.4	0.02	0.72	5.22	4.50		
S0709017-002	06-2-1 Roof Rock	1.6	0.5	0.02	0.62	87.3	86.7		
S0709017-003	06-2-2 Floor Rock	0.5	0.5	<0.01	<0.01	4.73	4.73		
S0709017-004	06-2-2 Roof Rock	6.0	5.4	0.34	10.7	51.4	40.7		
S0709017-005	06-2-3 Floor Rock	0.7	0.6	0.02	0.52	11.0	10.5		
S0709017-006	06-2-3 Roof Rock	1.2	0.2	0.03	0.89	85.2	84.3		
S0709017-007	06-24-1 Floor Coal	1.2	<0.1	0.01	0.46	98.4	98.0		
S0709017-008	06-24-1 Roof Rock	0.7	<0.1	0.05	1.59	149	147		
S0709017-009	06-25-1 Floor Rock	0.2	0.1	<0.01	<0.01	7.04	7.04		
S0709017-010	06-25-1 Roof Rock	2.4	1.8	0.16	5.04	53.2	48.2		
S0709017-011	06-34-1 Floor Coal	4.3	4.3	0.04	1.32	1.50	0.18		
S0709017-012	06-34-1 Roof Rock	2.0	0.7	0.03	1.07	109	108		
S0709017-013	06-36-1 Floor Rock	1.6	0.2	0.06	1.82	118	116		
S0709017-014	06-36-1 Roof Rock	3.1	2.4	0.09	2.69	62.2	59.5		

These results apply only to the samples tested.

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